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Economic Intelligence Weekly Review

17 November 1977

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ECONOMIC INTELLIGENCE WEEKLY REVIEW

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Real economic growth rates in the Third World are dropping off from the
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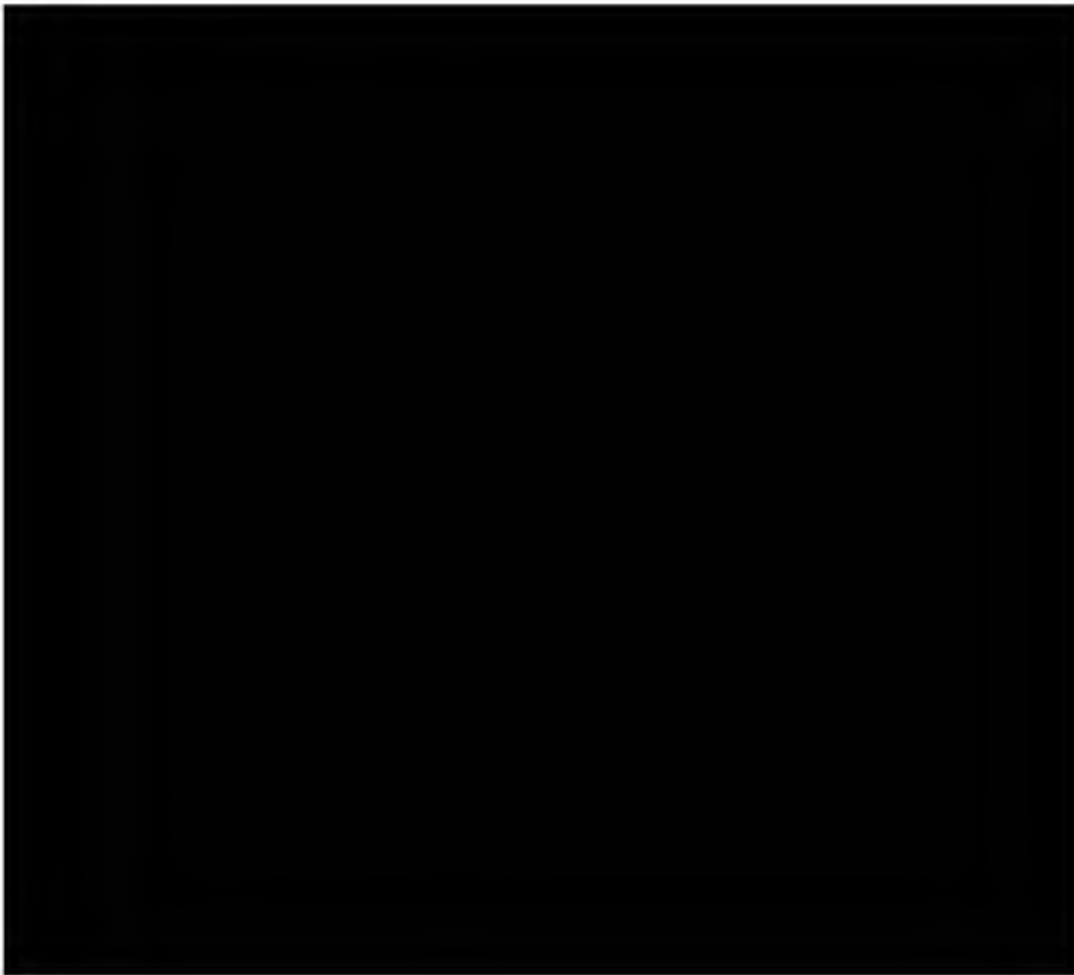
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Current Survey

**MAJOR RECENT DEVELOPMENTS AFFECTING
THE INTERNATIONAL ECONOMY**

Note: This Survey reviews the recent foreign economic developments that have significant implications for the growth and stability of the international economy. In particular, it summarizes the likely impact of new macro-economic policy decisions of important countries and the latest evidence of economic trends. We expect to publish a similar survey every month.



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Economic Indicators

The new programs, summarized above, reflect widespread continued economic stagnation. Industrial output in the six major foreign economies held practically constant in August, after declining in three of the four previous months; August production was more than 3 percent below early 1977 levels. Only Japan, among the six, showed an increase in output in August. At the other extreme, Italian industrial production fell 3.5 percent in August. Output in West Germany, France, the United Kingdom, and Canada continued flat. (Unclassified)

Consumer prices in the six economies rose at about a 7.5-percent annual rate in September, slightly slower than the pace of inflation in first half 1977. Britain and Italy have demonstrated marked progress in their battles against rising prices, both countries cutting their rate of inflation in the third quarter to less than 12 percent.

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West Germany, after experiencing a slight acceleration in inflation in early 1977, has seen its rate return to less than 4 percent. (Unclassified)

The United Kingdom and Italy continue to show improvement in their trade balances. Britain posted surpluses in both August and September; Italy had surpluses in June through September. Japan's September surplus of \$1.3 billion remains sizable, although down from the level of the second quarter. (Unclassified)

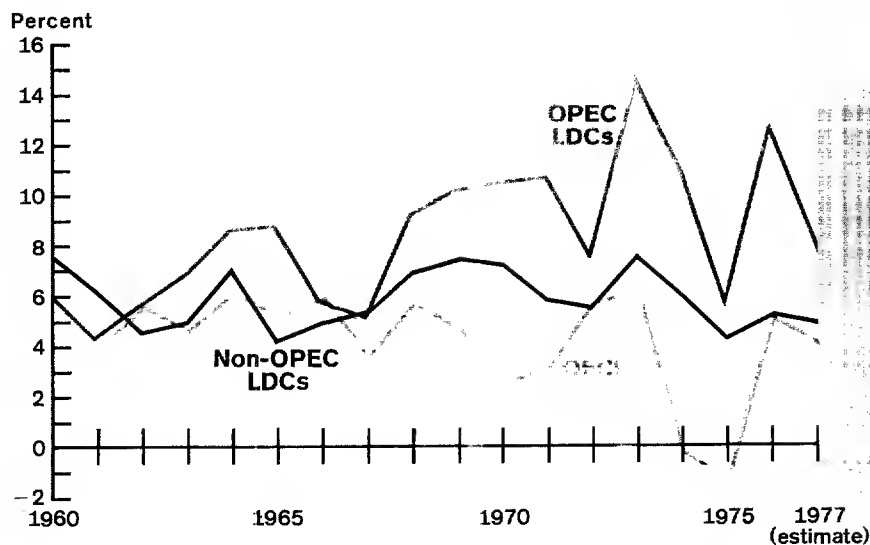
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Articles

GROWTH IN THE LESS DEVELOPED COUNTRIES SLOWS IN 1977

After the solid gains in GNP of 1976, Third World countries are experiencing a moderate drop in growth rates in 1977. The sharpest slowdown has come in the OPEC countries, where increases in real GNP will fall from 13 percent in 1976 to 8

Real GNP Growth



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percent this year.* Non-OPEC LDCs should turn in an overall rate of real growth slightly less than 5 percent instead of last year's 5.1 percent.

The decline in the growth of non-OPEC LDCs as a group is heavily weighted by (a) slower rates in Brazil and Mexico, where adjustment to earlier debt and inflation problems required contractionary policies; and (b) somewhat slower growth in several of the export-oriented economies of Southeast Asia, which are closely linked to OECD business trends. Partially offsetting these trends are agricultural gains in South Asia.

Regional Performance Shows Considerable Variation

On a regional basis, the Middle East is still experiencing the highest average growth—10 percent—as oil producers sponsor massive economic development programs. Growth in this region will not match last year's, however, because OPEC governments are spending their oil earnings more carefully or are lifting less oil. The Asian LDCs continue to grow by more than 6 percent, with this weighted average balancing some slowdown in East Asian exporter nations and certain South Asian economies against a good year for India. Surprisingly, the African countries as a group are outperforming Latin America. While the average for the former approaches 6 percent, Latin American countries—still grappling in several cases with domestic stabilization problems—are averaging just over 4 percent.

Exports Spur Growth

Faltering growth in the OECD countries notwithstanding, those LDCs most dependent on trade with the developed countries are still at the high end of the growth scale because of buoyant exports. The East Asian exporters, after a spectacular recovery last year from the 1974-75 slump, have settled down to growth rates ranging from 10 percent for South Korea and Malaysia to 6.5 percent for the Philippines and Thailand.

Latin American and African coffee producers are benefiting from high export prices; many of them—Colombia, El Salvador, Guatemala, Honduras, the Ivory Coast, and Nicaragua—are beating their trend GNP growth rates for 1960-73. High export earnings and strong large-scale industrial output in Colombia will more than offset the slump in agricultural production (other than coffee) and small industry. In the Ivory Coast, robust earnings from cocoa and timber are giving added impetus to GNP growth.

*Overall, regional, and group averages are weighted by 1976 GNP. The sample used in calculating the average growth rate includes 67 countries representing 97 percent of Third World output.

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LDCs: Projected 1977 Growth Rates
(1976 Growth Rates in Parentheses)

More than 10 Percent	4 to 6.9 Percent	2 to 3.9 Percent
Kuwait (6.0)	Algeria (6.0)	Afghanistan (2.7)
Lebanon (-50.0)	Argentina (-2.9)	Bahamas (4.8)
North Yemen (30.0)	Brazil (8.7)	Barbados (6.2)
Qatar (14.0)	Cameroon (5.0)	Burma (4.5)
United Arab Emirates (14.0)	Chile (5.5)	Surinam (0)
	Costa Rica (5.0)	Uruguay (2.8)
7 to 10 Percent	Dominican Republic (5.5)	Zambia (0.9)
	Egypt (6.0)	
Bolivia (7.0)	Haiti (4.7)	Less than 2 Percent
Colombia (7.0)	India (2.0)	
Ecuador (8.7)	Iran (13.8)	Ghana (2.0)
El Salvador (6.1)	Kenya (5.0)	Guyana (-13.0)
Grenada (12.9)	Libya (12.0)	Jamaica (-6.9)
Guatemala (7.5)	Oman (3.0)	Mexico (2.1)
Honduras (6.5)	Papua New Guinea (0)	Morocco (1.2)
Hong Kong (16.0)	Philippines (6.3)	Nepal (3.0)
Indonesia (6.5)	Saudi Arabia (20.0)	Pakistan (4.9)
Iraq (15.0)	Senegal (1.5)	Panama (0)
Ivory Coast (8.5)	Sri Lanka (2.5)	Peru (2.8)
Jordan (15.0)	Sudan (5.5)	Rhodesia (-3.4)
Malaysia (11.3)	Syria (8.0)	Zaire (-1.4)
Nicaragua (6.2)	Thailand (6.2)	
Nigeria (6.5)	Trinidad and Tobago (4.8)	
Paraguay (6.9)	Tunisia (10.0)	
Singapore (8.0)	Venezuela (6.0)	
South Korea (15.5)		
Taiwan (11.7)		

Stabilization Programs Temporarily Brake Growth

Some key countries—in an effort to deal with inflation, trade deficits, and foreign debt—have instituted financial policies that are temporarily limiting growth. In Brazil, both a tight monetary policy and import curbs are holding growth under the 8-percent long-term average. Despite constraints on demand, import substitution, strong export demand, good crops, and moderate investment spending are together yielding a 4- to 5-percent growth compared with the 3 percent anticipated earlier this year. Mexico, farther along in its adjustment process, still faces bleak growth prospects for the year as a whole because private investment and consumer spending are only now beginning to recover. Real growth will likely stand at 1 to 2 percent, roughly the same as last year.

For a few other countries, the sharp deterioration that followed the 1973/74 oil crisis has been reinforced by continuing problems in export markets. In Jamaica,

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Peru, and Zaire, this has meant a more wrenching adjustment than we see in Mexico and Brazil. Growing foreign debt, weakening debt service capability, and the slowing of capital inflows have meant that these smaller countries have had to take sharp measures (often under IMF guidance) to constrain consumer spending and control inflation. Jamaica's GNP will likely fall 4 percent as a result of prior import cuts, higher taxes, and the restriction of private credit. Import constraints and the slowdown in the domestic economy have hampered the easing of inflation and contributed to higher unemployment. Peru, which belatedly accepted IMF pressures to tighten austerity, faces price gains of about 45 percent and practically no change in GNP. Zaire is squeezing out 1-percent GNP growth only because the government at the outset implemented the IMF program less strictly than Jamaica and Peru. Both budget expenditures and money wages have been allowed to rise faster than recommended by the IMF.

Chile has also been hurt by falling copper prices, but its economy is clearly on the mend. Many of Chile's domestic economic problems were severely intensified by the extreme expansionary policies of the Allende government. To compensate, the military junta implemented austerity measures soon after the 1973 coup. The government has been able to make inroads against both inflation and the financial gap and to cautiously loosen its grip on the economy. The result will probably be a 6-percent gain in GNP, up slightly from last year.

Domestic Factors at Play

Production for domestic markets has been the most important factor affecting growth in the South Asian countries. Good crops will enable India and Sri Lanka to show real growth of about 5 percent and 4 percent, respectively. In Pakistan, slightly higher agricultural output has been almost entirely offset by sluggish investment and export performance, largely the result of political uncertainty. Growth this year will be just over 1 percent.

Growth Subsidies in OPEC Countries

The falloff in OPEC overall growth stems in some instances from more rational development spending and in others from lower oil production. In Iran declines in oil output, infrastructure bottlenecks, and continuing shortages of skilled labor outside the oil sector will limit 1977 GNP growth to 6 percent, compared with nearly 14 percent in 1976. In Saudi Arabia, where the oil sector accounts for about 80 percent of output, real growth will subside from 20 percent to less than 7 percent because of a sharp drop in the rate of increase of oil output. Despite a leveling off of production, Venezuelan oil earnings will allow a moderate rise in public investment to support a 6-percent growth rate.

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Elsewhere, growth rates for the oil producers are expected to pick up. Volume increases in both oil and non-oil exports will help to boost Indonesia's output 7 percent. Nigeria, hitting stride in its oil-financed development programs, may register double-digit growth. In a few smaller Middle Eastern states, improvements in port facilities and growing public spending will help maintain the rapid growth pace of recent years; for example, Kuwait's GNP should soar another 27 percent in 1977 and the United Arab Emirates will gain 20 percent.

Outlook for Next Year

LDC growth in 1978 is extremely difficult to project at this point. Working in favor of rates near or above trend is an accumulation of foreign exchange reserves, which are at record levels in most LDCs. If, as expected, domestic pressures to draw on these reserves increase, the resulting pickup in imports should spur output moderately. Gains under stabilization programs, especially in the Latin American countries, could also permit some acceleration of growth as austerity is relaxed. Despite these positive factors, continued slow recovery in the major industrial countries will keep a lid on LDC ability to substantially improve on 1977 growth. (Confidential)

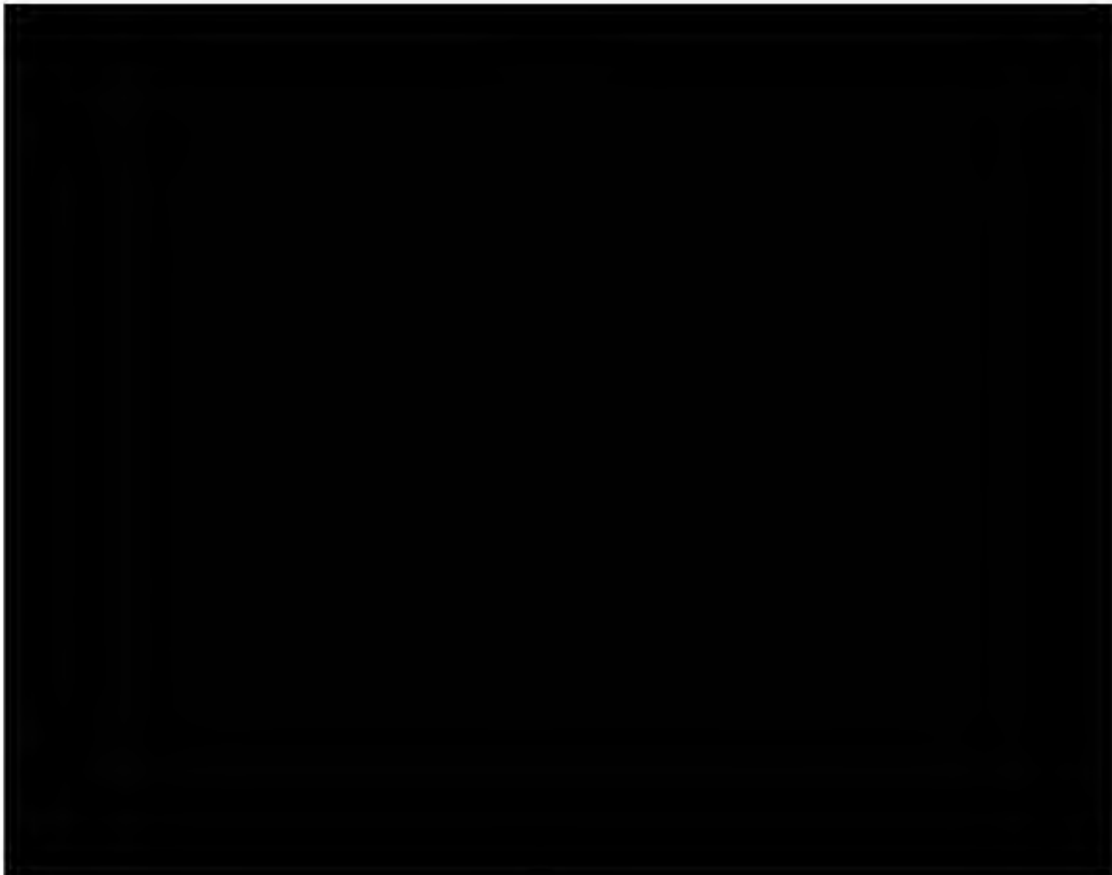
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RICE: STRONGER DEMAND FOR US EXPORTS

US rice exports could reach a record level in 1978 despite predictions for a drop in world imports. Reduced supplies by other exporters and a strong commercial non-PL 480 market should keep rice prices firm.

World Production and Stocks

Rice production for the 1977/78 crop year is currently estimated by the US Department of Agriculture (USDA) at 351 million tons, or 2 percent higher than last year.* We believe that world production could approximate the 1975/76 record of 355 million tons, based on recent information suggesting above-average Asian crops.

*Rice production figures are on an unmilled basis. All other data are on a milled basis. The rice crop year is 1 August - 31 July.

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Generally favorable weather in Asia is accounting for most of the increase expected in world production. Output in Japan and India, where the bulk of the 1977/78 crop has been harvested, is up by 10 percent. Production should be up slightly in the Philippines, South Korea, Burma, and Bangladesh. China's harvest almost certainly will show a small increase despite a drought last summer. Production in Laos and Thailand is likely to be well below last year due to drought. Other Asian countries are expected to produce at about the same level as in 1976/77.

Low prices have forced acreage reductions in the United States—production is down 15 percent—and in Brazil. In Colombia, where a government-sponsored development program

had pushed rice production ahead rapidly, low producer prices are now causing output to decline. Inclement harvest weather has caused a 11-percent drop in Italy's crop. Production in most other countries is expected to regain ground lost in 1976/77. On balance, production outside Asia will show little change from the last crop year.

Increased demand and reduced production had caused world rice stocks to decline in 1976/77. The United States and Japan, which increased stocks to record levels, were exceptions. While total stocks are expected to increase slightly in 1977/78, they will decrease in major exporting countries. Most of the increase will occur in Japan, where 4.5 million tons of rice will have accumulated by yearend 1977.

World Rice Production ¹

	Million Tons		
	1975/76	1976/77 ²	1977/78 ³
Total	355.0	342.8	353.0
Argentina	0.3	0.3	0.3
Australia	0.4	0.5	0.5
Bangladesh	19.2	17.7	18.0
Brazil	8.5	7.2	7.5
Burma	9.2	9.3	9.5
Colombia	1.6	1.5	1.3
India	74.3	65.3	72.0
Indonesia	22.3	23.3	22.6
Italy	0.9	0.9	0.8
Japan	16.5	14.7	16.2
Korea, Republic of	6.5	7.2	7.3
Laos	0.9	0.9	0.5
Pakistan	3.9	3.9	4.0
Philippines	6.2	6.5	6.8
PRC	126.0	125.0	128.0
Sri Lanka	1.3	1.5	1.5
Thailand	15.2	15.8	15.0
United States	5.8	5.3	4.5
USSR	2.0	2.1	2.2
Vietnam	12.6	12.4	12.4
Others	21.4	21.5	22.1

¹ Rice production is on an unmilled basis.

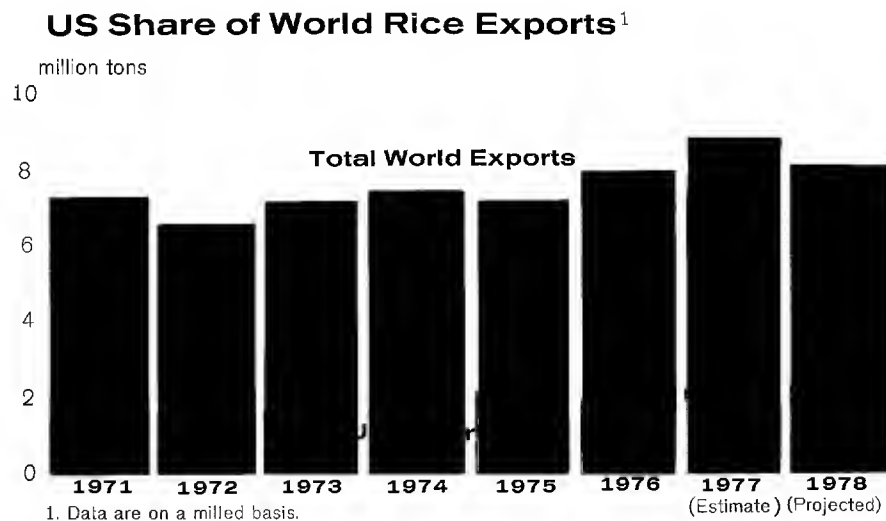
² Preliminary.

³ CIA Estimated.

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Consumption and Trade Patterns

World consumption of milled rice in 1977/78 is expected to increase 2 percent, to a record 237 million tons. Population growth largely accounts for the increase. In addition, a growing commercial market for rice has developed in the Middle Eastern



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OPEC countries, where imports have risen almost 50 percent since 1973. Per capita consumption is also increasing in some African countries, especially Nigeria and the Ivory Coast.

World trade in rice historically has been 7 million to 8 million tons annually. We estimate that rice trade in calendar year 1977 will reach a record 8.9 million tons. This level reflects the growing market in the Middle East and Africa as well as

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increased demand in Asia following a slump in output in 1976/77. World trade in 1978 is expected to decline to 8.2 million tons, largely on the strength of increased production in some Asian rice-importing countries.

Problem Areas

While forecasts indicate an excellent rice harvest worldwide, some areas in Asia face problems. Drought in Vietnam and Laos has resulted in the need for increased food imports. Most of these needs will have to be met through food aid or concessional sales. Indonesian crop prospects are fair but drought in some local producing areas has led to regional deficits. The government has been forced to purchase several hundred thousand tons of rice for immediate delivery to afflicted areas. Indonesia has contracted to import a total of 2.5 million tons of rice between April 1977 and March 1978—1 million tons more than last year.

Other Asian producers are faced with problems of surplus. India, with a bumper food grain harvest, has grossly inadequate storage facilities and will lose some of its crop to spoilage. Taiwan is also faced with storage problems after three consecutive good harvests and has encouraged the feeding of rice to livestock. Taiwan also exported 200,000 tons of rice in 1977 to help reduce the surplus and is expected to sell a similar amount in 1978.

Despite record accumulation of stocks, Japan is not likely to export large amounts of rice. The domestic producer price is so high that a large subsidy would be required to sell abroad. Indeed, Tokyo finds it less expensive to seek rice from some of its Asian neighbors and the United States to meet its food aid commitments rather than to use domestic rice.

US Export Prospects Improve

The outlook is for increased demand for US rice exports in 1978 despite prospects for a reduction in world rice trade. The expected growth in commercial transactions (as opposed to PL 480 sales) and decreased availability of rice from other sources almost certainly will lead to record US sales of 2.3 million tons and to a drawdown in peak US stocks.

Thailand has become the leading rice exporter in 1977, with shipments likely to exceed 2.8 million tons. Exports could be 1.0 million tons lower in 1978 because of low stocks and reduced production. Rice exports from Brazil will also decline

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sharply due to low stocks and mediocre output. Italian exports should be down 200,000 tons from last year. Burma and China are the only exporters that appear capable of increasing shipments in 1978.

Strong demand for rice in commercial markets should keep prices firm through first half 1978. Beyond the first half, export prospects and prices would be strengthened by a return to poor weather in several Asian rice producing countries—Bangladesh, India, Pakistan, and the Philippines. The chances of this happening are good, since weather has been generally favorable in these countries for three consecutive years. (Confidential)

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GREECE: MEDIUM-TERM DECISIONS FACE NEW GOVERNMENT

Few immediate economic problems face the Caramanlis government as it heads into national elections this Sunday. The Prime Minister called for elections a year early in order to secure a mandate for dealing with the Aegean, Cyprus, and EC accession questions, all of which could enter decisive stages during 1978. Greek recovery from the recession has been much stronger than elsewhere in Western Europe. Nevertheless, lagging industrial investment threatens to stifle growth and to increase upward pressure on prices over the next two years. The public sector plans to undertake large-scale investments to help fill the void left by private investors, who are awaiting the outcome of government steps to dampen inflation and to restructure the economy in preparation for entry into the EC. Press reports and political observers are predicting a victory for Caramanlis' New Democracy party.

The Situation Before the Election

Prime Minister Caramanlis enters this election from a position of strength. Since the Greek recession in 1974, the government's carefully managed policies have resulted in balanced growth with a substantial reduction in inflation. Greek GNP will grow by 5 percent this year, a good performance next to the 3-percent growth expected for the major West European economies; the big contributors are private consumption, residential construction, and exports. Inflation, a rampant 27 percent in 1974, was cut in half in 1975-76 and has eased to about 12 percent this year. Despite higher oil costs and the resultant rise in the trade deficit, the current account deficit has averaged a manageable \$1.1 billion since 1973 because of invisible earnings from tourism, shipping services, and worker remittances. Finally, with unemployment at an estimated 2.5 percent, economic problems have not translated into election issues.

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EC accession negotiations have gone well for Athens, although the Greek timetable for concluding a treaty by 1978 may easily slip into 1979.* The EC Council last month told Greece it is ready to begin the "active phase" of negotiations on industrial trade, capital flows, trade relations with non-EC countries, and arrangements for Greek coal and steel products. The EC indicated, however, it was not prepared to begin negotiations on agriculture or the length of the transition period. The agricultural question poses a sensitive issue for the Community, particularly for France and Italy. The EC does not want to negotiate the issue until the member states have decided on changes in the Common Agricultural Policy, which they deem necessary for EC enlargement. Moreover, Paris doubtless wants to delay talks on agriculture until after the French elections next March.

Politically, Caramanlis has defused the Aegean and Cyprus issues by holding the elections before negotiations on these areas lead to hard bargaining and inevitable concessions. The Prime Minister considers the Aegean boundary dispute with Turkey the most important problem facing Greece and has conceded that Turkey has "some rights" in the area between the Greek mainland and the Greek islands. Suspected deposits of commercially exploitable oil also have made compromise more difficult since both countries are heavily dependent on imported oil. On Cyprus, political retreat from the Greek-Cypriot goal of a federated state reuniting the Greek and Turkish sectors under one government would spell treason in the eyes of Greek sympathizers. There has been speculation that after the election Caramanlis may approach the main opposition leader, George Mavros of the Union of the Democratic Center (EDIK), to form a coalition government. Such a move would be designed to bring in talented persons from EDIK to deal with key foreign policy issues as well as EC accession, thereby isolating the fiery Andreas Papandreou, leader of the Panhellenic Socialist Movement.

Economic Problems Ahead for Policymakers

Although the new government will not face an economic crisis, it will have to find solutions to the longer term problems of boosting industrial investment, restructuring the economy for EC accession, and further curbing inflation. Of the three, ending the investment recession is the most imperative because it affects the other two.

Since the 1974 recession, the investment picture has been mixed. Real gross fixed investment has increased only moderately and at the end of last year was still 20 percent below the 1973 level. Investment has been strongest in residential construction; an influx of foreign capital has helped lift housing investment by 40

*A discussion of issues involved in Greek accession to the EC appeared in the *Economic Intelligence Weekly* of 15 September 1977.

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percent since 1974. The major weak spot remains manufacturing investment; declines of 11.5 percent and 9.7 percent occurred in 1975 and 1976, respectively.

Preparations for transition into the EC have caused private investors to hold off spending until the new rules are specified. Major changes for the business community include elimination of tariff and nontariff barriers on Greek imports of industrial goods from the EC; implementation of common, lower EC tariffs against third-country imports; and adoption of a value-added tax. Delay in advancing the investment provisions of the new five-year plan, along with acknowledged bureaucratic bottlenecks in the Greek Government, have also deterred investment.

Recently, cyclical factors have also contributed to the investment slowdown. Reductions in growth forecasts for Greece's three major West European export markets—West Germany, France, and Italy—have dimmed sales expectations.

Moreover, the government's tightening of monetary policy this year in order to curb inflation has dampened investment spending in the short run.

In the absence of private investors, the government has stepped in. A few months ago Prime Minister Caramanlis announced details of a \$570 million investment plan for seven industries to be completed by 1981. The program, which features a petrochemical complex, raw material processing plants, and improvements in communications facilities, is to encourage both import substitution and export expansion. In addition to direct involvement, the government is considering replacing investment tax credits with outright investment grants ranging from 10 percent to 40 percent of each investment.

Athens is also in the process of restructuring Greek financial markets in order to stimulate investment and to increase Central Bank control over the money supply. A major goal is to channel more savings from commercial banks into broader financial markets for productive investment. Central Bank Governor Zolotas contends that short-term credit expansion by commercial banks has been excessive and too frequently used to finance "undesirable" imports of luxury goods. Financing longer term investments, therefore, has depended upon the Central Bank's willingness to increase the money supply. To increase the effectiveness of financial markets, the Central Bank has:

- Restructured interest rates in order to reactivate the bond market.
- Encouraged the Agricultural Bank to attract private deposits so that it would become self-sufficient.

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- Advised the government to resort to the capital market to finance the public investment program.
- Urged firms to improve their capital structure by increasing the proportion of equity funding.

Commercial banks are being asked to adjust their portfolio policies so that loans do not exceed one-fifth of a firm's share capital.

The Central Bank also has moved to curb excessive credit expansion by placing controls on foreign exchange deposits in commercial banks. Dramatic increases in foreign exchange deposits since the Lebanese war have been a major reason why commercial banks have exceeded their lending targets. Foreign exchange and drachma deposits now are subject to the same regulations, which allow for only a 20-percent expansion in loans for trade and working capital. Central Bank officials credit those regulations with cutting the growth of the money supply to 15 percent in the year ending last August, compared with 24 percent in the previous 12 months.

Outlook

The economic future looks promising. Growth in 1978 should match this year's 5 percent. The Caramanlis government has recognized the importance of bolstering export industries, and Greece remains an attractive area for EC investment, partly because of its nearness to the growing Arab market. Caramanlis' political base may be eroded as businesses accustomed to tariff protection and preferential credit treatment are forced to adapt to EC norms. Nonetheless, the government has considerable basic strength, and accession to the EC will further buttress the post-1974 democratic system. (Confidential)

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Note

Grain Market Reacts Calmly to Soviet Crop Announcement

After a spurt immediately following Brezhnev's 2 November announcement of a 194-million-ton grain harvest, prices of wheat and, to a lesser extent, corn have resumed the slow but steady climb begun about mid-August. This low-key market reaction stems from the following: (1) the long-held opinion of large traders that the Soviet crop would be lower than the USDA/CIA 215-million-ton estimate; (2) persistent rumors of already consummated large sales to the Soviets; and (3) the existence of relatively large world supplies of exportable grain.

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Some traders last September were estimating Soviet imports of at least 20 million tons—more than half from the United States—compared with the USDA estimate of 13 million tons. Many observers believed that the Soviets had signed contracts for most of this grain by early October. These factors contributed to a stronger market as traders hedged their sales to the Soviets over the past six to eight weeks. Wheat prices have strengthened more than those for corn because of a tighter supply outlook for high protein wheats and a smaller expected increase in carryover stocks next summer. At the time of Brezhnev's announcement, wheat and corn prices were up 19 percent and 22 percent, respectively, from their August lows. Since his statement, they have increased an additional 5 percent and 3 percent, respectively. During the July-December 1973 period—following massive Soviet purchases in 1972 and the further tightening of the world grain situation in 1973—wheat prices more than doubled. (Confidential Noform)

Publication of Interest*

Developing Countries: Oil Potential, Policies, and Constraints
(ER 77-10583, November 1977, Secret Noform)

This Intelligence Assessment surveys 40 individual LDCs that have oil potential and assesses, not only the geological prospects, but also the institutional and political constraints to increases in exploration and production.

*Copies of this publication may be ordered by calling [REDACTED]

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FOREWORD

1. The **Economic Indicators Weekly Review** provides up-to-date information on changes in the domestic and external economic activities of the major non-Communist developed countries. To the extent possible, the **Economic Indicators Weekly Review** is updated from press ticker and Embassy reporting, so that the results are made available to the reader weeks—or sometimes months—before receipt of official statistical publications. US data are provided by US government agencies.

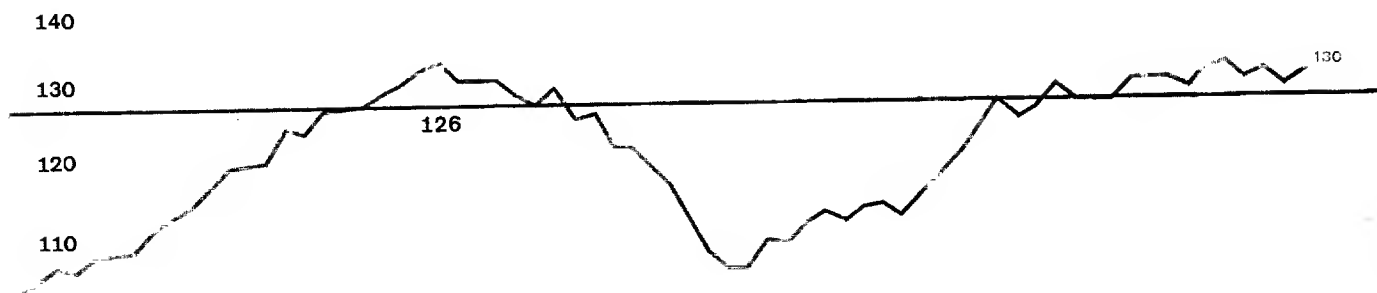
2. Source notes for the **Economic Indicators Weekly Review** are revised every few months. The most recent date of publication of source notes is 20 October 1977. Comments and queries regarding the **Economic Indicators Weekly Review** are welcomed.

INDUSTRIAL PRODUCTION INDEX: 1967=100, base year 1967 United States

Semilogarithmic Scale



Japan



West Germany



France

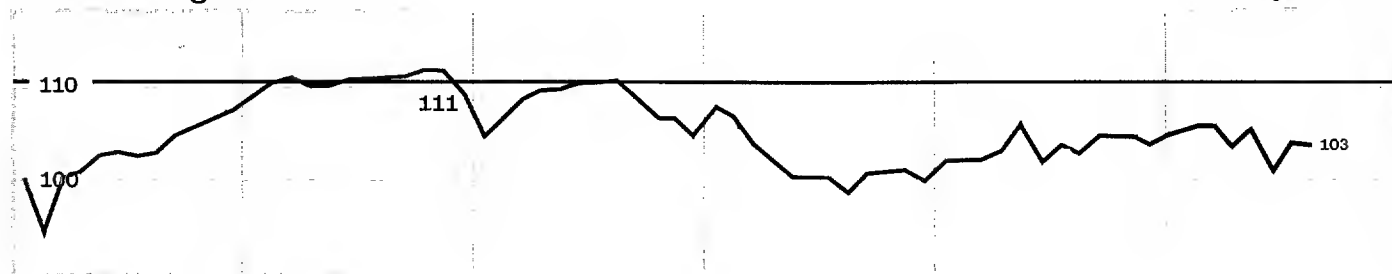
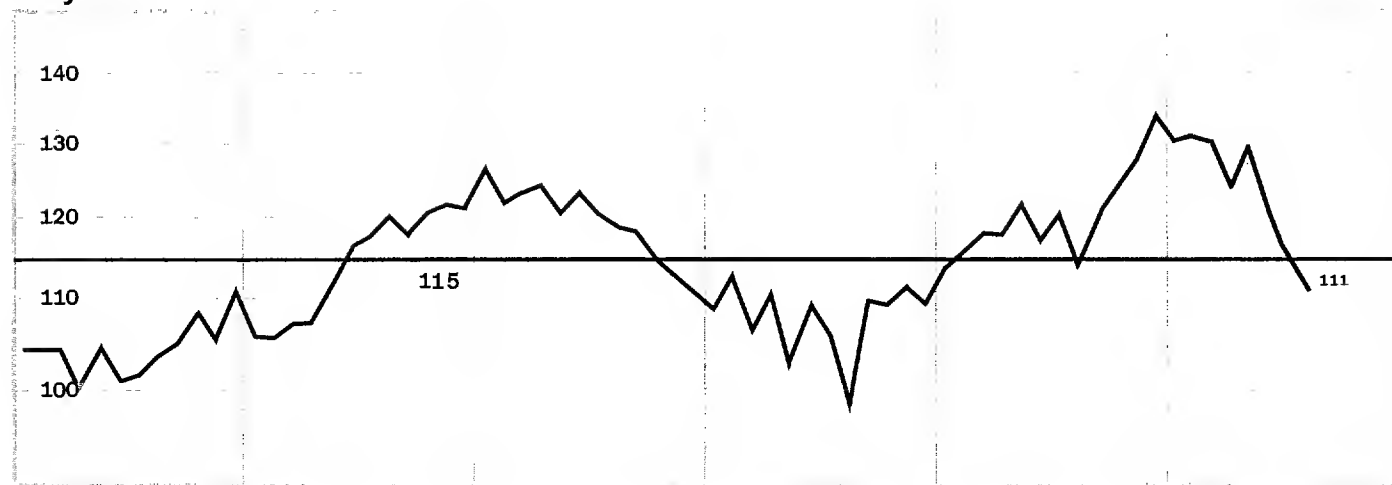
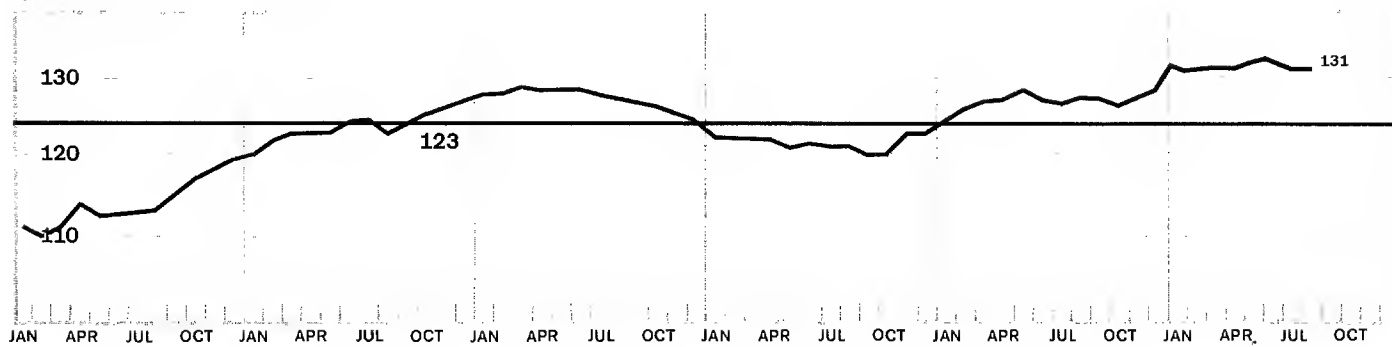


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1972 1973 1974 1975 1976 1977

United Kingdom

Semilogarithmic Scale

**Italy****Canada**

JAN APR JUL OCT JAN APR JUL OCT JAN APR JUL OCT JAN APR JUL OCT JAN APR JUL OCT

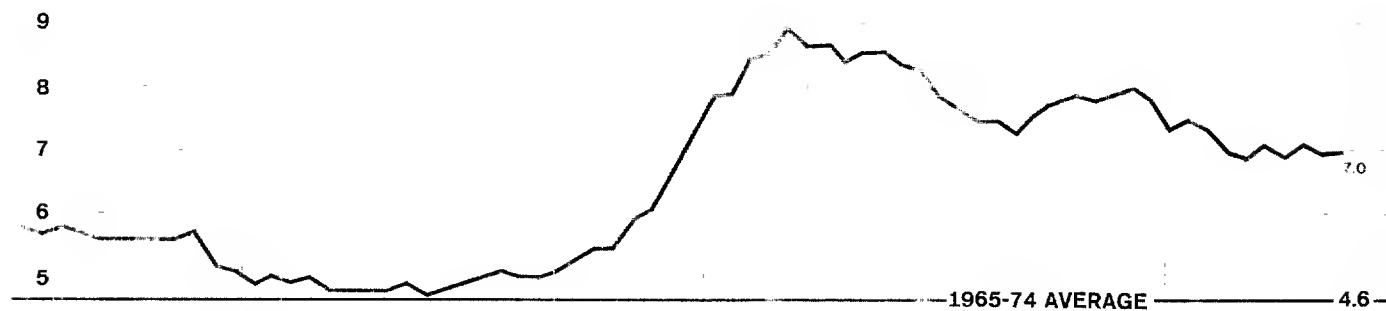
1972 1973 1974 1975 1976 1977

	LATEST MONTH	Percent Change from Previous Month	AVERAGE ANNUAL GROWTH RATE SINCE				LATEST MONTH	Percent Change from Previous Month	AVERAGE ANNUAL GROWTH RATE SINCE		
			1970	1 Year Earlier	3 Months Earlier ¹				1970	1 Year Earlier	3 Months Earlier ¹
United States	SEP 77	0.4	3.6	6.1	4.9	United Kingdom	AUG 77	-0.5	0.5	0.9	-8.5
Japan	AUG 77	1.2	3.8	2.9	-2.6	Italy	AUG 77	-3.6	1.5	-2.0	-33.5
West Germany	SEP 77	-0.9	1.8	-0.9	-3.4	Canada	AUG 77	0	3.9	2.7	0.3
France	AUG 77	0	3.1	0	-3.1						

¹Average for latest 3 months compared with average for previous 3 months.

UNEMPLOYMENT PERCENT OF LABOR FORCE

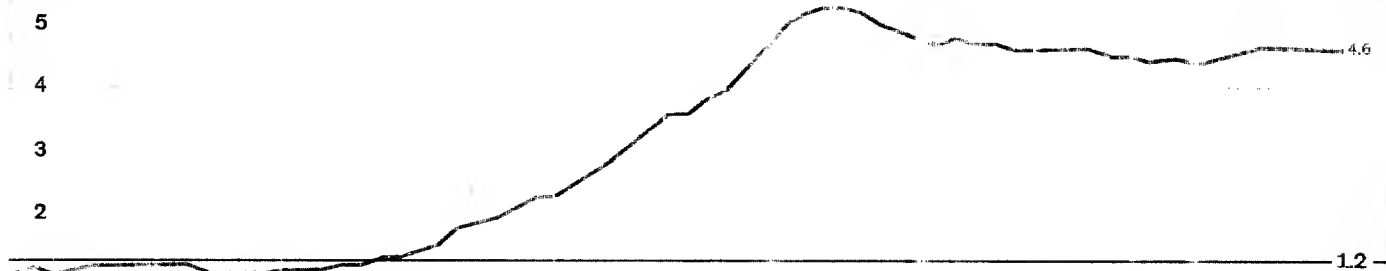
United States



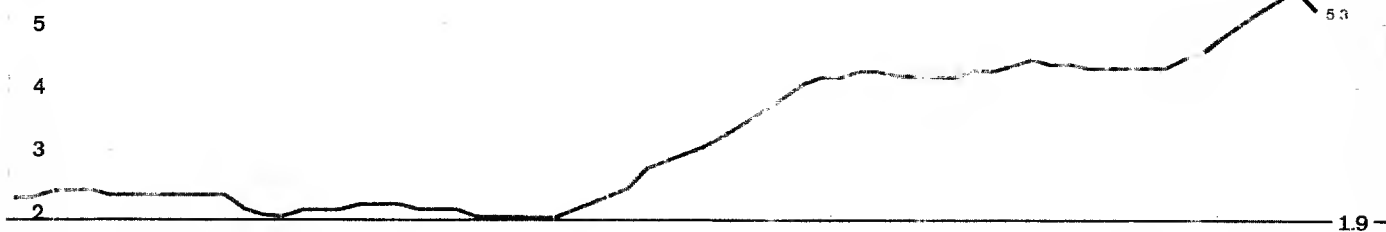
Japan



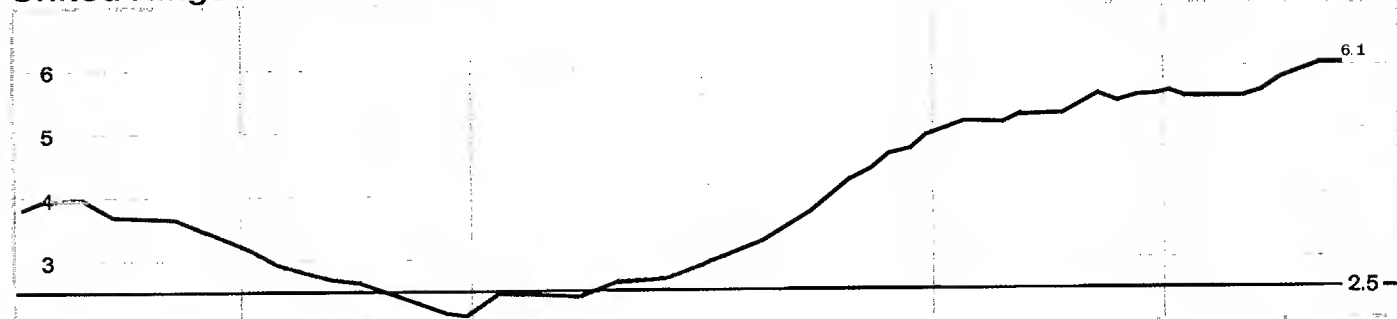
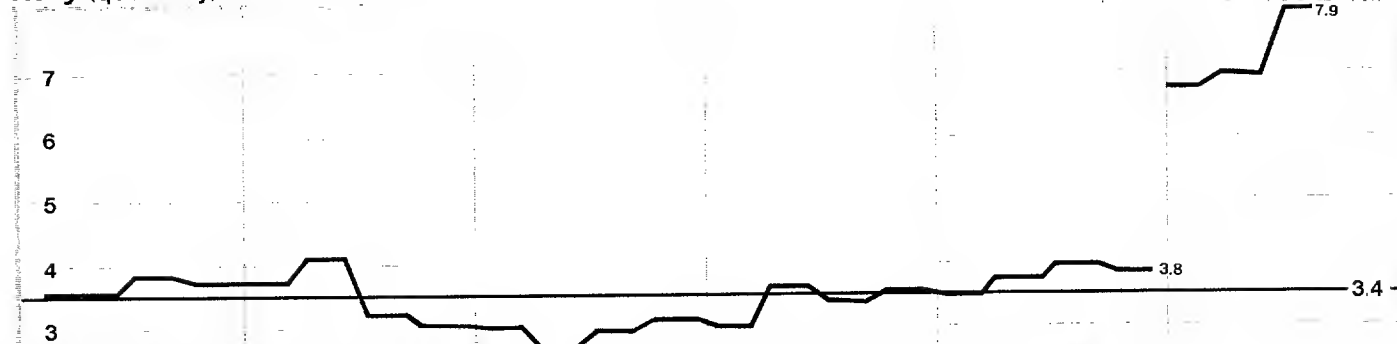
West Germany



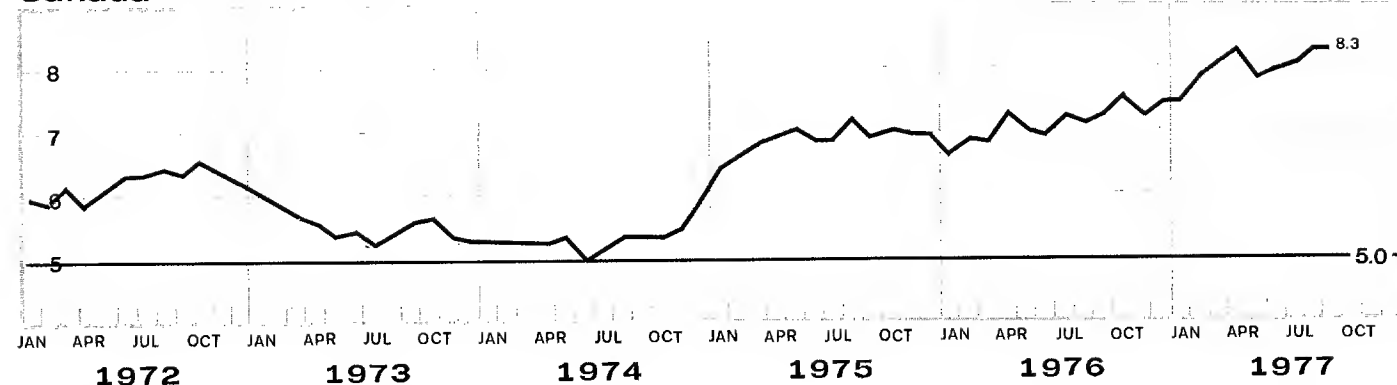
France



JAN APR JUL OCT JAN APR JUL OCT JAN APR JUL OCT JAN APR JUL OCT JAN APR JUL OCT
 1972 1973 1974 1975 1976 1977

United Kingdom**Italy (quarterly)**

A labor force survey based on new definitions of economic activity sharply raised the official estimate of Italian unemployment in first quarter 1977. Data for earlier periods thus are not comparable. Italian data are not seasonally adjusted.

Canada**THOUSANDS OF PERSONS UNEMPLOYED**

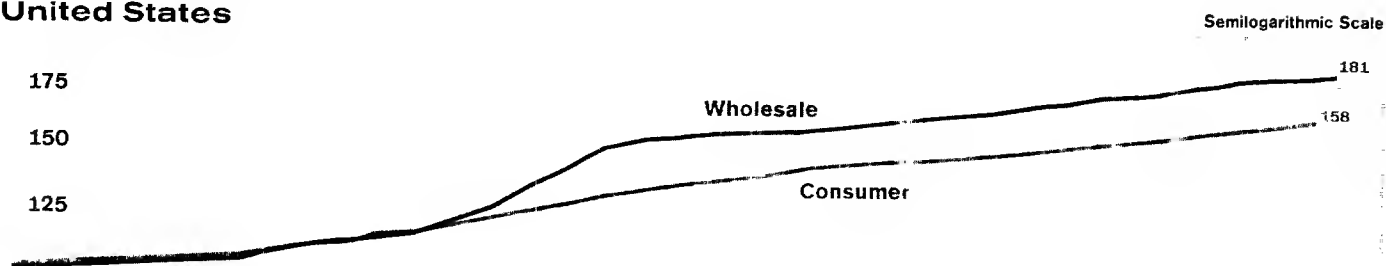
		LATEST MONTH	1 Year Earlier	3 Months Earlier			LATEST MONTH	1 Year Earlier	3 Months Earlier
United States	OCT 77	6,872	7,564	6,744	United Kingdom	OCT 77	1,433	1,308	1,394
Japan	JUN 77	1,190	1,120	1,050	Italy	77 III	1,692	776	1,432
West Germany	OCT 77	1,041	1,026	1,051	Canada	SEP 77	798	753	847
France	SEP 77	1,159	941	1,150					

NOTE: Data are seasonally adjusted. Unemployment rates for France are estimated. The rates shown for Japan, Italy and Canada are roughly comparable to US rates. For 1975-77, the rates for France and the United Kingdom should be increased by 5 percent and 15 percent respectively, and those for West Germany decreased by 20 percent to be roughly comparable with US rates.

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DOMESTIC PRICES¹ INDEX: 1970=100

United States



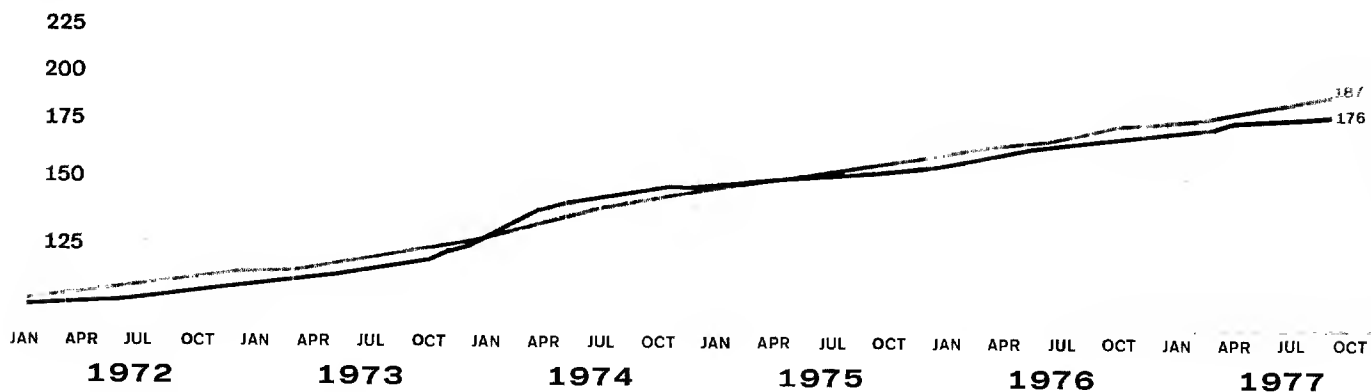
Japan



West Germany



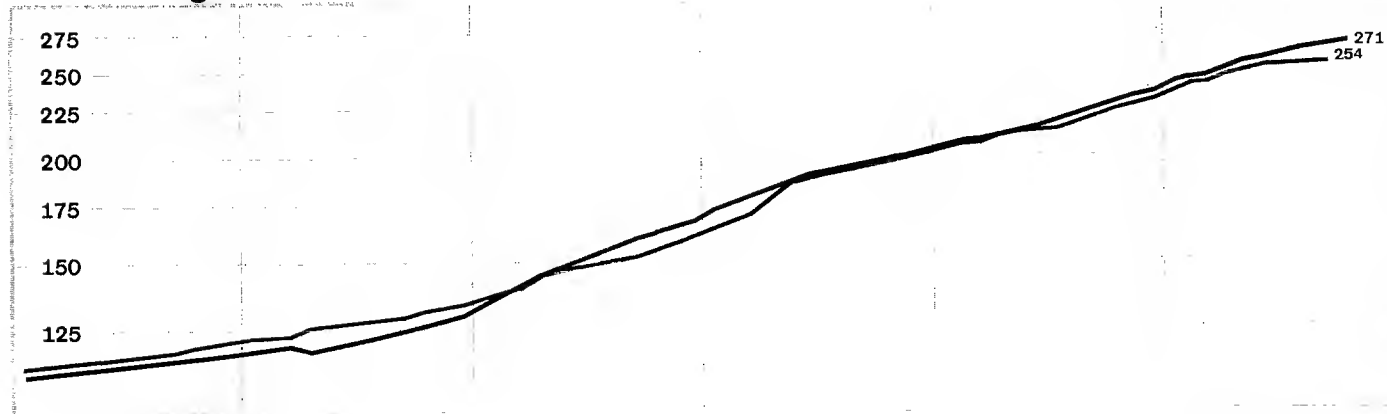
France



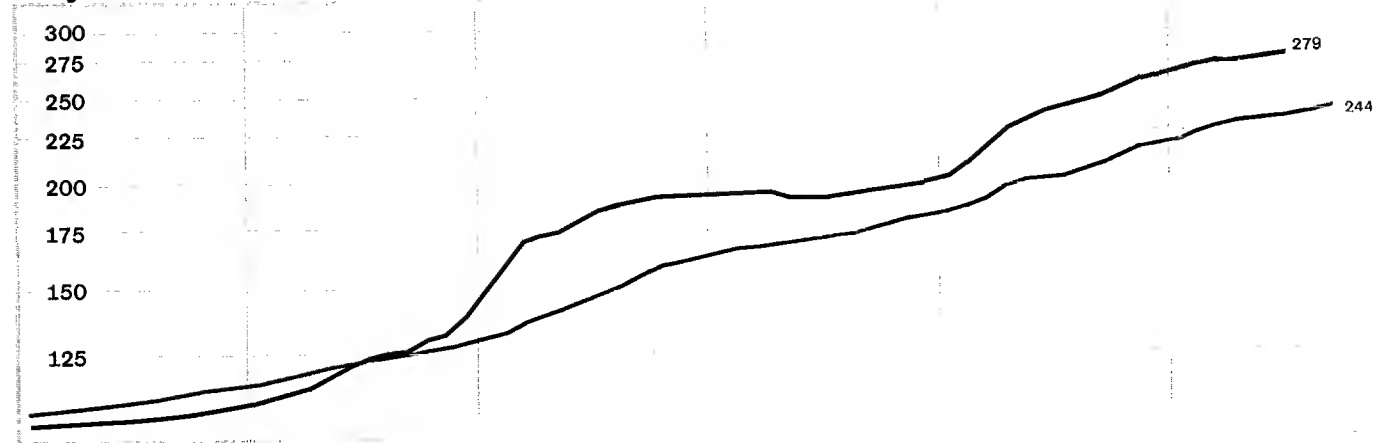
¹Wholesale price indexes cover industrial goods.

United Kingdom

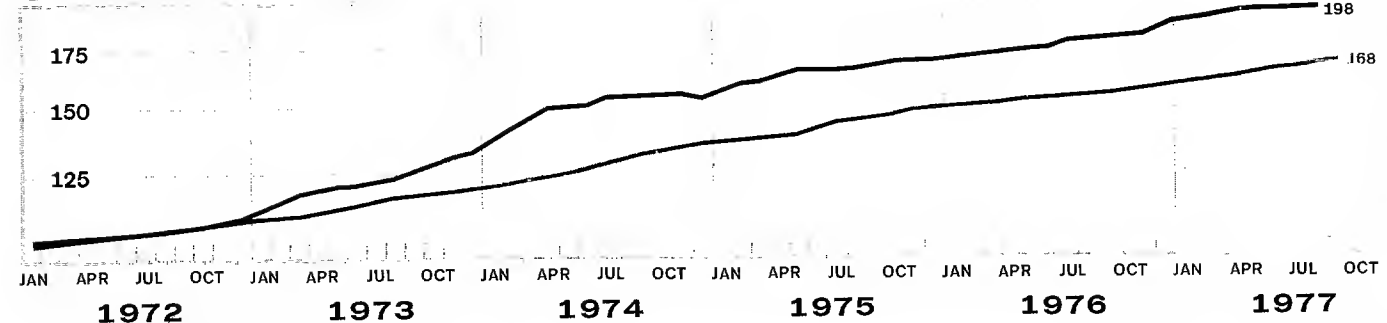
Semilogarithmic Scale



Italy



Canada



	LATEST MONTH	Percent Change from Previous Month	AVERAGE ANNUAL GROWTH RATE SINCE				LATEST MONTH	Percent Change from Previous Month	AVERAGE ANNUAL GROWTH RATE SINCE		
			1970	1 Year Earlier	3 Months Earlier				1970	1 Year Earlier	3 Months Earlier
United States	OCT 77	0.7	8.5	8.9	8.9	United Kingdom	OCT 77	0.8	14.8	17.8	7.9
	SEP 77	0.4	6.6	6.6	4.9		SEP 77	0.5	13.8	15.6	4.4
Japan	AUG 77	0.2	7.6	0.8	-2.3	Italy	JUL 77	0.3	15.7	14.7	5.0
	SEP 77	1.8	10.5	7.6	6.2		SEP 77	1.1	13.2	19.2	10.6
West Germany	SEP 77	-0.1	5.1	1.6	-0.6	Canada	AUG 77	0.4	10.1	9.8	7.9
	OCT 77	0.1	5.4	3.8	-0.3		SEP 77	0.6	7.5	8.4	8.0
France	SEP 77	0.6	8.2	6.1	5.4						
	SEP 77	0.9	9.0	9.6	9.5						

GNP ¹

Constant Market Prices

	Latest Quarter	Percent Change from Previous Quarter	Average Annual Growth Rate Since		
			Percent Change		
			1970	1 Year Earlier	Previous Quarter
United States	77 III	0.9	3.2	4.6	3.8
Japan	77 II	1.9	5.6	5.6	7.6
West Germany	77 II	-0.2	6.3	2.4	-1.0
France	76 IV	0	3.9	4.9	0
United Kingdom	77 I	-1.9	1.6	-1.3	-7.5
Italy	76 IV	1.1	3.0	5.5	4.6
Canada	77 II	-0.6	4.9	0.5	-2.4

¹ Seasonally adjusted.**RETAIL SALES ¹**

Constant Prices

	Latest Month	Percent Change from Previous Month	Average Annual Growth Rate Since		
			Percent Change		
			1970	1 Year Earlier	3 Months Earlier ²
United States	Sep 77	-1.4	2.9	4.2	-0.6
Japan	Jun 77	-0.1	9.8	2.6	1.4
West Germany	Aug 77	1.7	2.6	5.3	7.0
France	Jun 77	7.7	-0.3	1.0	-8.1
United Kingdom	Sep 77	-0.9	1.0	-2.5	11.8
Italy	Apr 77	-0.4	2.8	1.0	-3.1
Canada	Jul 77	3.0	4.4	0.6	-2.8

¹ Seasonally adjusted.² Average for latest 3 months compared with average for previous 3 months.**FIXED INVESTMENT ¹**

Non-residential; constant prices

	Latest Quarter	Percent Change from Previous Quarter	Average Annual Growth Rate Since		
			Percent Change		
			1970	1 Year Earlier	Previous Quarter
United States	77 III	1.0	2.1	7.8	4.2
Japan	77 II	0.5	1.1	4.5	2.0
West Germany	77 II	-1.6	0.4	3.4	-6.4
France	75 IV	8.8	4.2	2.9	40.1
United Kingdom	77 I	-0.6	0	3.4	-2.5
Italy	76 IV	5.2	3.0	15.4	22.4
Canada	77 II	6.1	3.2	-1.1	26.7

¹ Seasonally adjusted.**WAGES IN MANUFACTURING ¹**

	Latest Period	Percent Change from Previous Period	Average Annual Growth Rate Since		
			Percent Change		
			1970	1 Year Earlier	3 Months Earlier ²
United States	Sep 77	0.4	7.5	6.6	6.5
Japan	Jun 77	1.7	17.3	12.5	8.7
West Germany	77 II	1.7	9.5	7.5	7.2
France	77 I	2.3	14.1	13.9	9.5
United Kingdom	Aug 77	0	15.3	3.0	3.5
Italy	Jul 77	0.9	20.7	26.3	25.3
Canada	Jul 77	0.3	11.4	11.0	12.6

¹ Hourly earnings (seasonally adjusted) for the United States, Japan, and Canada; hourly wage rates for others. West German and French data refer to the beginning of the quarter.² Average for latest 3 months compared with that for previous 3 months.**MONEY MARKET RATES**

				Percent Rate of Interest		
Representative rates		Latest Date		1 Year Earlier	3 Months Earlier	1 Month Earlier
United States	Commerical paper	Nov 9	6.57	5.00	5.75	6.43
Japan	Call money	Nov 11	4.63	6.75	5.75	5.00
West Germany	Interbank loans (3 months)	Nov 9	4.09	4.56	4.10	4.06
France	Call money	Nov 10	9.13	10.94	8.56	8.38
United Kingdom	Sterling interbank loans (3 months)	Nov 9	4.83	14.81	6.75	5.18
Canada	Finance paper	Nov 9	7.38	9.38	7.38	7.09
Eurodollars	Three-month deposits	Nov 9	7.23	5.31	6.38	7.19

EXPORT PRICES

US \$

Approved For Release 2002/02/01 : CIA-RDP79B00457A000300040001-6

EXPORT PRICES

National Currency

	Latest Month	Percent Change from Previous Month	Average Annual Growth Rate Since		
			Percent Change		
			1970	1 Year Earlier	3 Months Earlier
United States	Aug 77	-0.1	9.5	4.1	-4.4
Japan	Jul 77	-1.8	10.4	10.4	-4.4
West Germany	Aug 77	-1.1	11.4	9.1	7.9
France	Jul 77	1.5	11.3	8.2	10.2
United Kingdom	Aug 77	2.9	11.0	13.9	15.7
Italy	Jul 77	1.7	11.3	13.3	18.9
Canada	Jun 77	-1.7	9.3	-2.9	6.9

	Latest Month	Percent Change from Previous Month	Average Annual Growth Rate Since		
			Percent Change		
			1970	1 Year Earlier	3 Months Earlier
United States	Aug 77	-0.1	9.5	4.1	-4.4
Japan	Jul 77	-1.0	6.3	3.1	-5.3
West Germany	Aug 77	-0.2	4.5	-0.1	0.6
France	Jul 77	-0.1	9.2	8.7	1.7
United Kingdom	Aug 77	1.9	16.1	16.7	10.1
Italy	Jul 77	1.4	16.9	19.4	16.4
Canada	Jun 77	-0.9	9.5	5.4	9.6

IMPORT PRICES

National Currency

	Latest Month	Percent Change from Previous Month	Average Annual Growth Rate Since		
			Percent Change		
			1970	1 Year Earlier	3 Months Earlier
United States	Aug 77	1.1	13.4	8.6	1.0
Japan	Jul 77	-1.5	10.5	-2.3	7.0
West Germany	Aug 77	0.6	4.4	-0.7	3.3
France	Jul 77	0.1	10.3	14.3	-0.3
United Kingdom	Aug 77	-1.0	19.3	13.9	1.7
Italy	Jul 77	-1.6	20.7	15.3	10.4
Canada	Jun 77	0.5	8.6	8.5	7.4

OFFICIAL RESERVES

	Latest Month	End of	Billion US \$	Average Annual Growth Rate Since	
				Percent Change	
				1970	1 Year Earlier
United States	Aug 77	19.1	14.5	18.6	19.2
Japan	Sep 77	17.9	4.1	16.5	17.4
West Germany	Sep 77	34.5	8.8	35.0	34.3
France	Jul 77	9.9	4.4	9.4	10.0
United Kingdom	Oct 77	20.2	2.8	4.8	13.4
Italy	Sep 77	10.5	4.7	5.1	9.7
Canada	Aug 77	4.8	4.3	5.6	5.2

CURRENT ACCOUNT BALANCE ¹

	Latest Period	Million US \$	Cumulative (Million US \$)		
			Percent Change		
			1977	1976	Change
United States ²	77 II	-4,605	-8,763	1,070	-9,833
Japan	Sep 77	1,142	6,473	1,815	4,658
West Germany	Sep 77	-673	119	956	-837
France	77 II	-438	-2,101	-2,052	-50
United Kingdom	77 II	-474	-1,490	-1,277	-213
Italy	77 I	-929	-929	-1,413	484
Canada	77 II	-1,412	-2,229	-3,088	859

¹ Converted to US dollars at the current market rates of exchange.

² Seasonally adjusted.

BASIC BALANCE ¹

Current and Long-Term-Capital Transactions

	Latest Period	Million US \$	Cumulative (Million US \$)		
			Percent Change		
			1977	1976	Change
United States		No longer published ²			
Japan	Sep 77	611	4,398	1,732	2,666
West Germany	Sep 77	-1,341	-4,642	1,655	-6,297
France	77 I	-1,354	-1,354	-2,015	660
United Kingdom	77 II	1,409	2,075	-1,119	3,195
Italy	76 III	779	N.A.	1,096	N.A.
Canada	77 I	164	164	882	-718

¹ Converted to US dollars at the current market rates of exchange.

² As recommended by the Advisory Committee on the Presentation of Balance of Payments Statistics, the Department of Commerce no longer publishes a basic balance.

EXCHANGE RATES

Spot Rate
As of 4 Nov 77

	US \$ Per Unit	19 Mar 73	Percent Change from		
			Percent Change		
			1 Year Earlier	3 Months Earlier	28 Oct 77
Japan (yen)	0.0040	6.02	18.62	7.23	0.95
West Germany (Deutsche mark)	0.4432	25.15	6.27	1.69	0.24
France (franc)	0.2065	-6.31	3.25	0.46	-0.05
United Kingdom (pound sterling)	1.8040	-26.70	13.75	3.73	1.52
Italy (lira)	0.0011	-35.71	-1.64	0.26	0.09
Canada (dollar)	0.9019	-9.60	-12.36	-3.35	-0.27

TRADE-WEIGHTED EXCHANGE RATES ¹

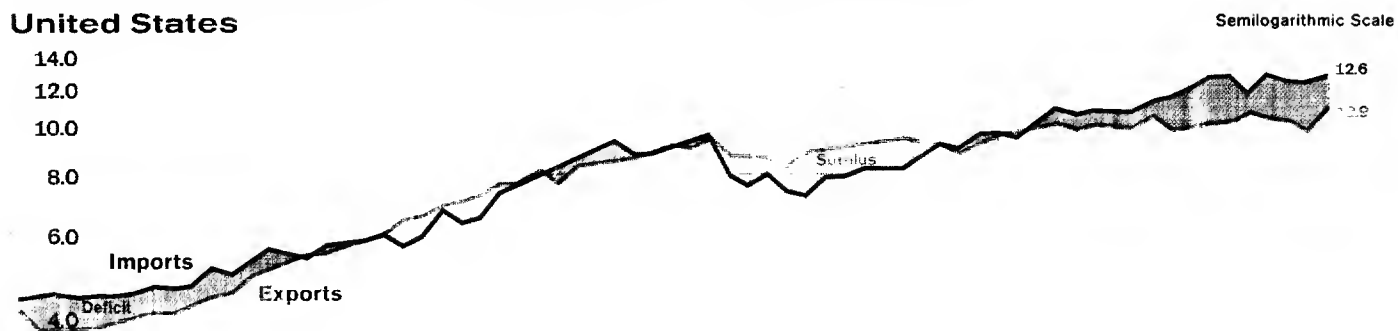
As of 4 Nov 77

	19 Mar 73	1 Year Earlier	Percent Change from	
			Percent Change	
			1 Year Earlier	28 Oct 77
United States	5.01	0.25	-0.67	-0.27
Japan	11.87	20.46	6.96	0.83
West Germany	27.80	3.94	1.12	0.10
France	-8.13	0	-0.67	-0.32
United Kingdom	-27.57	13.47	3.79	1.44
Italy	-39.43	-5.03	-0.82	-0.13
Canada	-8.26	-13.76	-3.94	-0.41

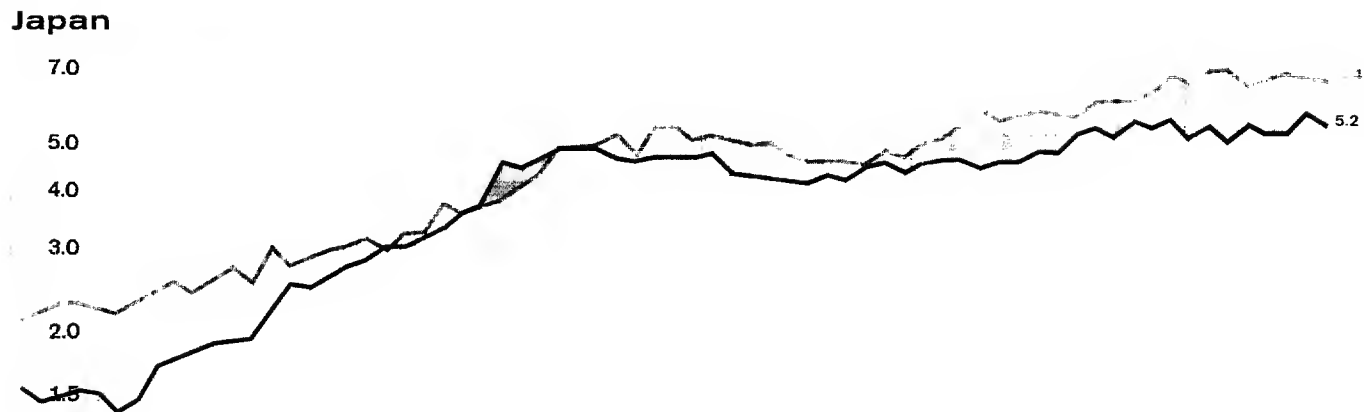
¹ Weighting is based on each listed country's trade with 16 other industrialized countries to reflect the competitive impact of exchange rate variations among the major currencies.

FOREIGN TRADE BILLION US \$, f.o.b., seasonally adjusted

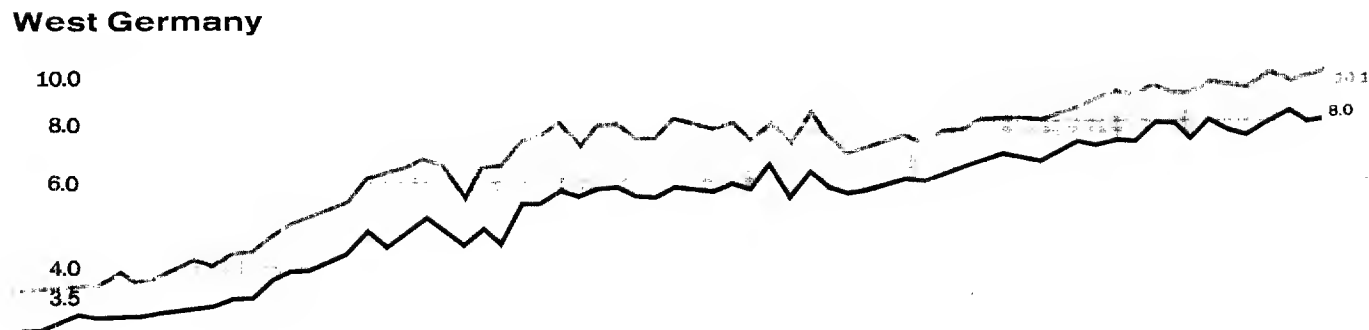
United States



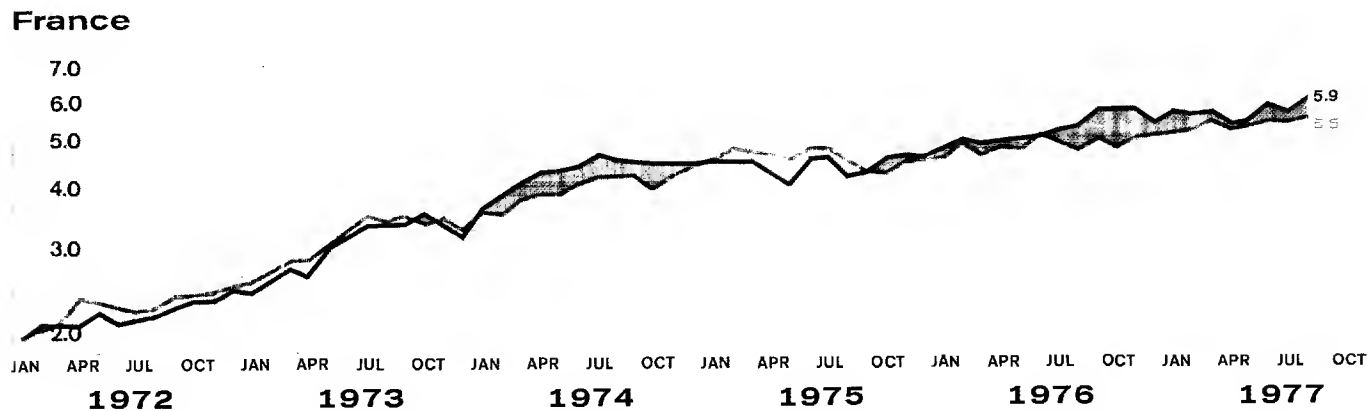
Japan



West Germany

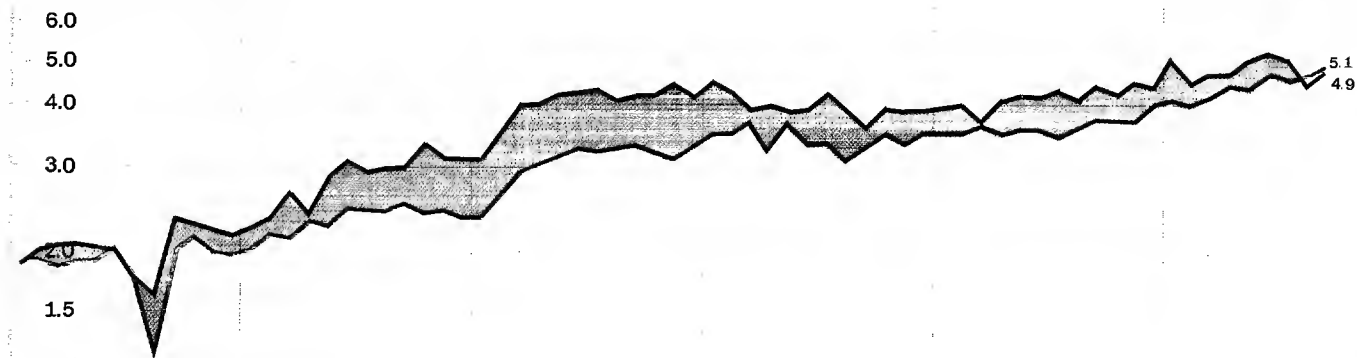


France

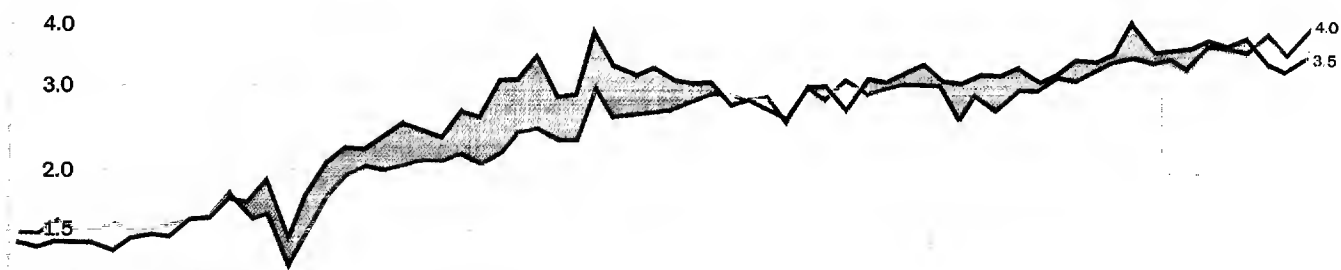


United Kingdom

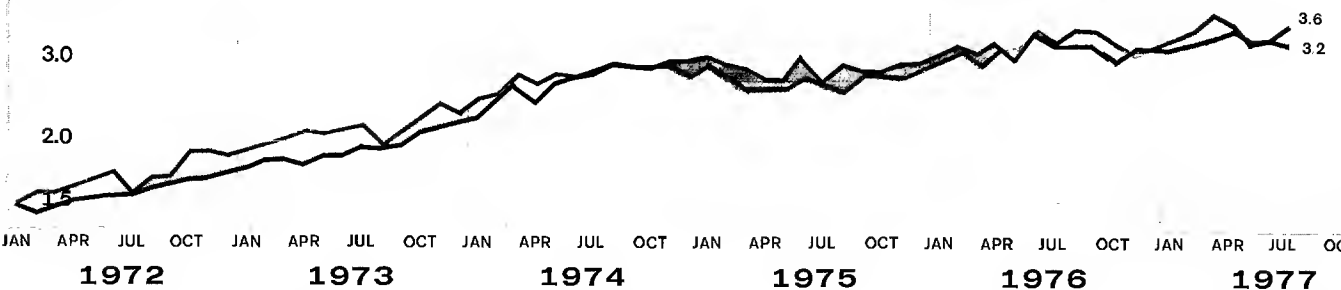
Semilogarithmic Scale



Italy



Canada



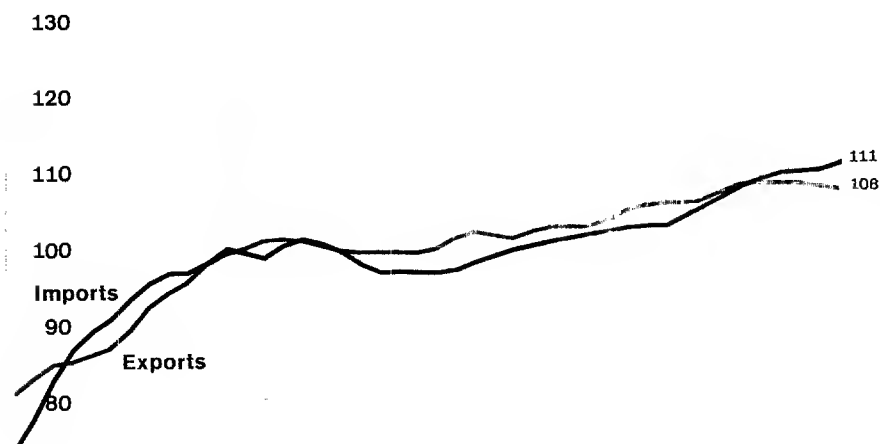
	LATEST MONTH	MILLION US \$	CUMULATIVE (MILLION US \$)				LATEST MONTH	MILLION US \$	CUMULATIVE (MILLION US \$)		
			1977	1976	CHANGE				1977	1976	CHANGE
United States	SEP 77	10,916	90,584	85,171	6.4%	United Kingdom	SEP 77	5,095	41,159	32,650	26.1%
		<u>12,631</u>	<u>109,882</u>	<u>88,297</u>	<u>24.4%</u>			<u>4,936</u>	<u>44,196</u>	<u>37,511</u>	<u>17.8%</u>
	Balance	-1,715	-19,298	-3,126	-16,172		Balance	159	-3,037	-4,861	1,824
Japan	SEP 77	6,439	58,430	48,305	21.0%	Italy	AUG 77	4,022	29,216	23,305	25.4%
		<u>5,183</u>	<u>45,838</u>	<u>40,860</u>	<u>12.2%</u>			<u>3,489</u>	<u>29,071</u>	<u>25,696</u>	<u>13.1%</u>
	Balance	1,256	12,592	7,445	5,147		Balance	533	146	-2,391	2,537
West Germany	SEP 77	10,061	86,227	73,878	16.7%	Canada	JUL 77	3,570	24,281	21,994	10.4%
		<u>8,023</u>	<u>70,820</u>	<u>60,750</u>	<u>16.6%</u>			<u>3,243</u>	<u>23,263</u>	<u>22,127</u>	<u>5.1%</u>
	Balance	2,038	15,407	13,129	2,279		Balance	327	1,018	-134	1,152
France	AUG 77	5,510	41,964	37,453	12.0%						
		<u>5,888</u>	<u>44,174</u>	<u>39,000</u>	<u>13.3%</u>						
	Balance	-378	-2,210	-1,548	-662						

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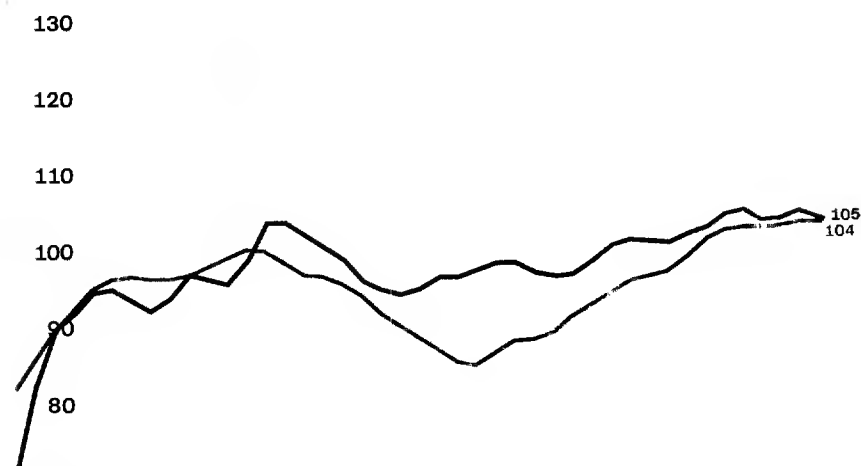
FOREIGN TRADE PRICES IN US \$¹

United States

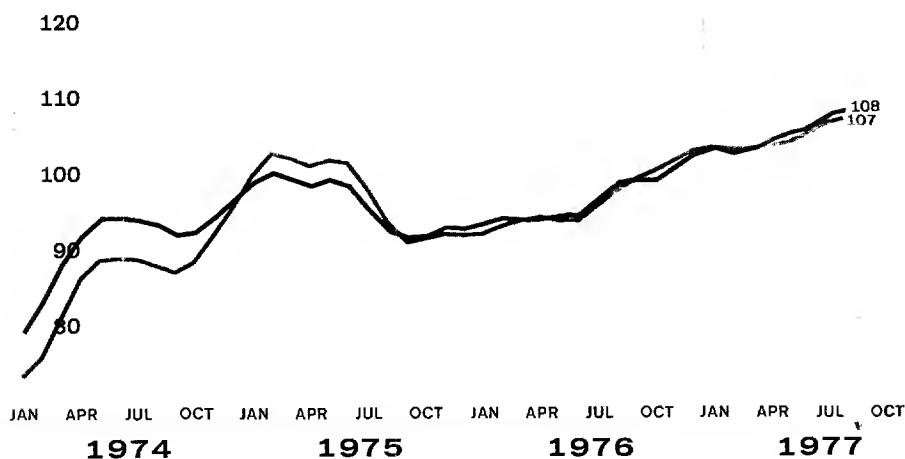
INDEX: JAN 1975 = 100



Japan



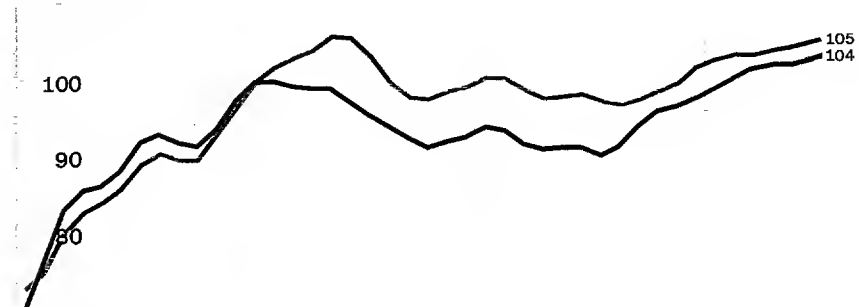
West Germany



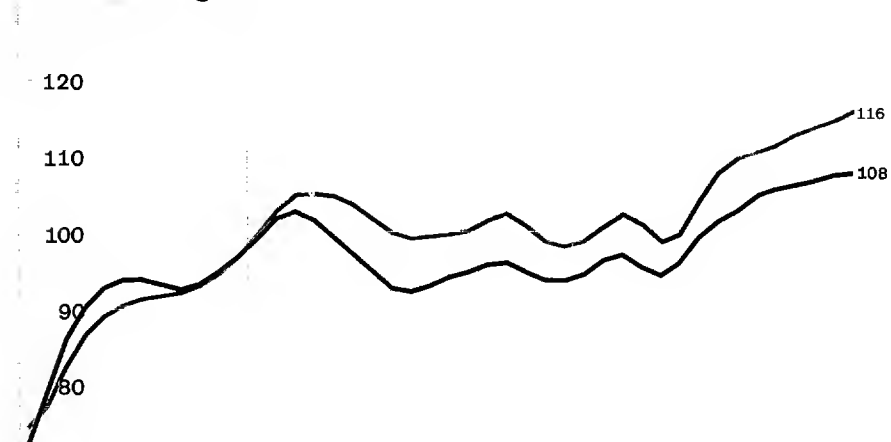
¹Export and import plots are based on five month weighted moving averages.

A-12

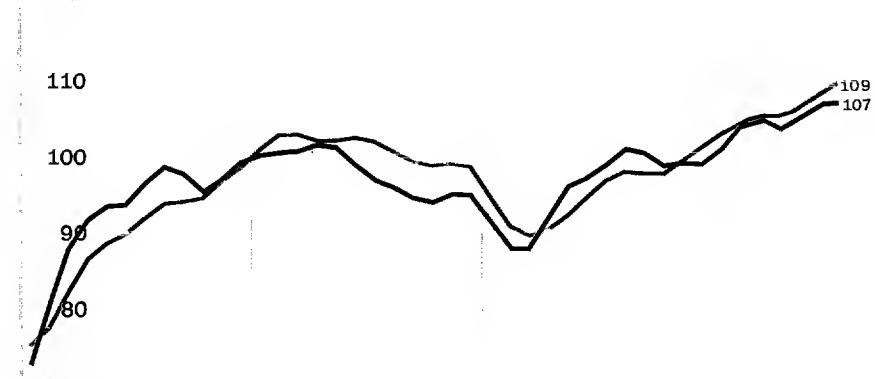
France



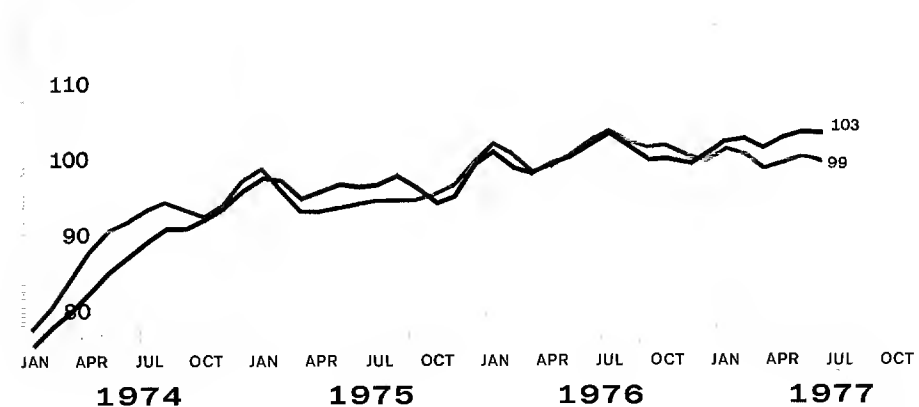
United Kingdom



Italy



Canada



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INDUSTRIAL PRODUCTION ¹

	Latest Period	Percent Change from Previous Period	Average Annual Growth Rate Since		
			1970	1 Year	
				Earlier	3 Months Earlier ²
Brazil	76 II	0.1	11.0	10.7	0.4
India	May 77	-0.8	5.1	2.2	10.5
South Korea	Aug 77	4.7	22.7	13.6	49.3
Mexico	Jun 77	0.8	5.9	5.5	28.0
Nigeria	76 IV	0.2	11.3	9.0	0.7
Taiwan	Aug 77	-2.9	12.9	1.2	-14.9

¹ Seasonally adjusted.

² Average for latest 3 months compared with average for previous 3 months.

MONEY SUPPLY ¹

	Latest Month	Percent Change from Previous Month	Average Annual Growth Rate Since	
			1970	1 Year Earlier
Brazil	May 77	1.5	36.3	41.7
India	Jun 77	0.3	12.0	16.9
Iran	Jul 77	-0.2	28.4	26.6
South Korea	Aug 77	2.2	31.6	39.9
Mexico	Jul 77	1.1	18.8	27.6
Nigeria	Feb 77	5.9	35.9	54.8
Taiwan	Jul 77	1.4	24.4	27.1
Thailand	Jun 77	-1.8	13.1	12.0

¹ Seasonally adjusted.

² Average for latest 3 months compared with average for previous 3 months.

CONSUMER PRICES

	Latest Month	Percent Change from Previous Month	Average Annual Growth Rate Since	
			1970	1 Year Earlier
Brazil	Aug 77	1.9	27.0	43.2
India	May 77	1.6	8.3	9.7
Iran	Aug 77	-0.3	12.3	30.7
South Korea	Sep 77	0.3	14.5	9.2
Mexico	Aug 77	2.1	14.9	34.3
Nigeria	Mar 77	3.4	14.9	13.6
Taiwan	Aug 77	5.6	11.4	12.3
Thailand	Aug 77	1.1	8.7	9.9

WHOLESALE PRICES

	Latest Month	Percent Change from Previous Month	Average Annual Growth Rate Since	
			1970	1 Year Earlier
Brazil	Aug 77	0.9	27.2	37.0
India	Aug 77	0.3	9.3	5.7
Iran	Aug 77	-0.6	10.3	17.7
South Korea	Sep 77	0.7	16.3	9.4
Mexico	Jul 77	0.7	16.4	48.2
Taiwan	Aug 77	0.5	9.1	4.2
Thailand	Jul 77	1.0	10.1	7.1

EXPORT PRICES

US \$

	Latest Period	Percent Change from Previous Period	Average Annual Growth Rate Since	
			1970	1 Year Earlier
Brazil	Jul 77	-12.4	16.3	28.4
India	Feb 77	8.0	10.4	8.9
Iran	Jul 77	0	35.5	18.7
South Korea	77 II	1.4	8.7	8.5
Nigeria	May 76	-0.1	27.3	12.3
Taiwan	Jul 77	0.6	12.4	9.7
Thailand	Dec 76	2.0	13.3	13.1

OFFICIAL RESERVES

	Latest Month		Million US \$		
	End of	Million US \$	1 Year		3 Months Earlier
			Jun 1970	Earlier	
Brazil	May 77	5,808	1,013	3,401	5,878
India	Sep 77	4,648	1,006	2,686	4,559
Iran	Sep 77	11,445	208	9,642	11,025
South Korea	Aug 77	3,765	602	2,263	3,519
Mexico	Mar 76	1,501	695	1,479	1,533
Nigeria	Jun 77	4,663	148	5,885	4,931
Taiwan	Aug 77	1,416	531	1,586	1,331
Thailand	Sep 77	1,925	978	1,989	2,017

FOREIGN TRADE, f.o.b.

			Latest 3 Months Percent Change from		Cumulative (Million US \$)		
			3 Months Earlier ¹	1 Year Earlier ¹	Earlier 1977	1976	Change
	Latest Period						
Brazil	Jul 77	Exports	110.6	27.2	7,225	5,312	36.0%
	Jul 77	Imports	22.8	-2.0	6,873	6,989	-1.7%
	Jul 77	Balance			352	-1,677	2,029
India	Jun 77	Exports	-46.9	6.3	2,707	2,485	8.9%
	Jun 77	Imports	-55.4	-5.8	2,094	2,117	-1.1%
	Jun 77	Balance			612	368	244
Iran	Aug 77	Exports	-42.5	-5.7	15,621	14,785	5.7%
	Aug 77	Imports	-18.2	-4.8	8,402	8,351	0.6%
	Aug 77	Balance			7,219	6,434	785
South Korea	Aug 77	Exports	43.9	20.3	6,217	4,838	28.5%
	Aug 77	Imports	16.4	18.8	6,265	5,121	22.3%
	Aug 77	Balance			-47	-283	235
Mexico	Jul 77	Exports	-44.5	22.1	2,453	1,892	29.6%
	Jul 77	Imports	46.2	-22.2	2,751	3,511	-21.6%
	Jul 77	Balance			-298	-1,618	1,321
Nigeria	May 77	Exports	22.9	24.5	1,965	1,570	25.2%
	Dec 76	Imports	86.7	8.4	2,531	1,990	27.2%
	Dec 76	Balance			1,502	1,102	399
Taiwan	Aug 77	Exports	95.9	14.7	5,872	5,191	13.1%
	Aug 77	Imports	8.2	11.1	5,116	4,544	12.6%
	Aug 77	Balance			756	647	109
Thailand	May 77	Exports	39.8	21.1	1,506	1,210	24.5%
	May 77	Imports	62.6	21.7	1,624	1,322	22.8%
	May 77	Balance			-117	-112	-5

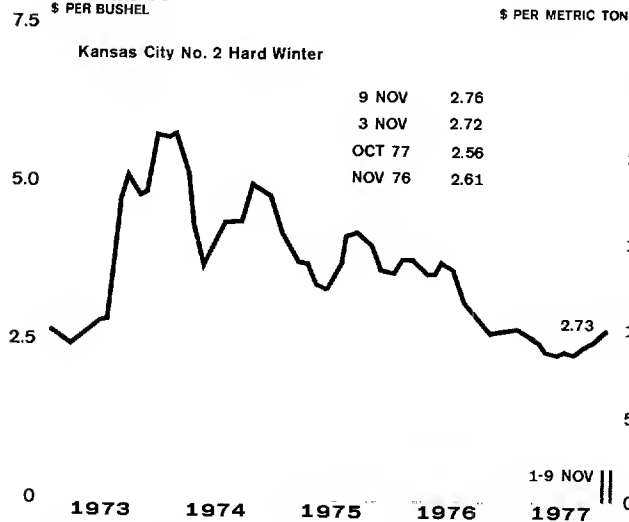
¹ At annual rates.

Approved For Release 2002/02/01 : CIA-RDP79B00457A000300040001-6

AGRICULTURAL PRICES MONTHLY AVERAGE CASH PRICE

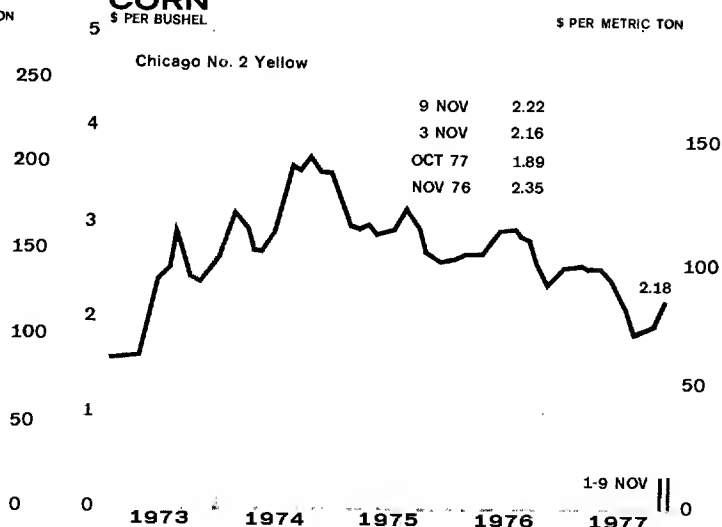
WHEAT

\$ PER BUSHEL



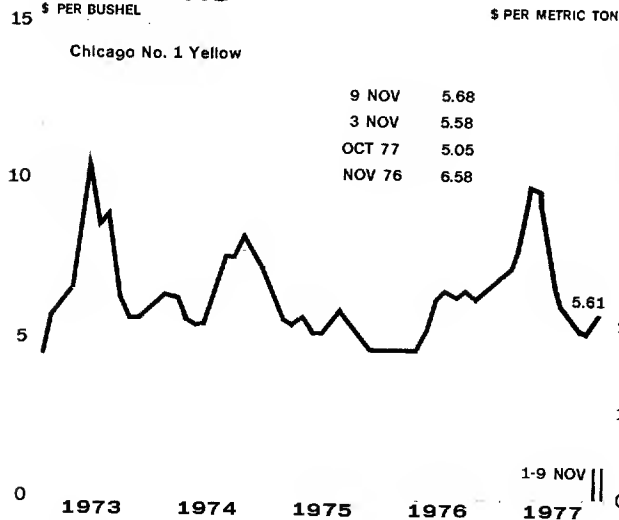
CORN

\$ PER BUSHEL



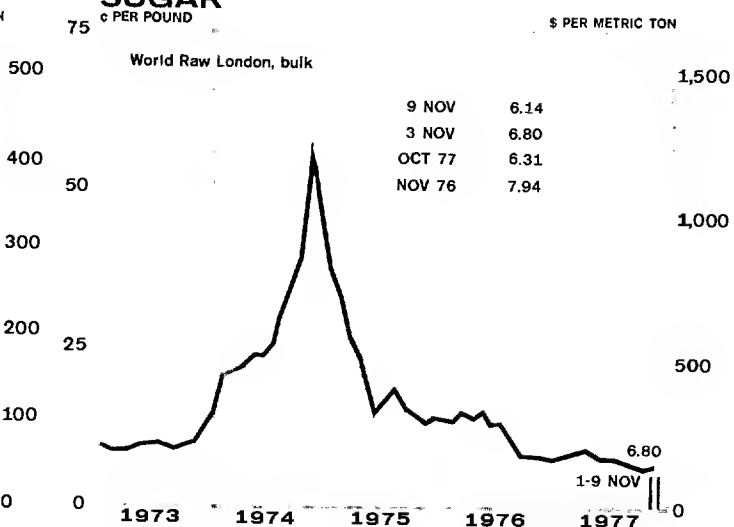
SOYBEANS

\$ PER BUSHEL



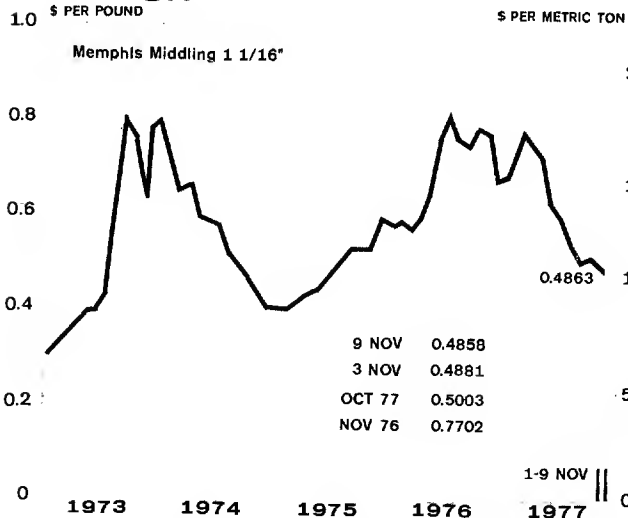
SUGAR

¢ PER POUND



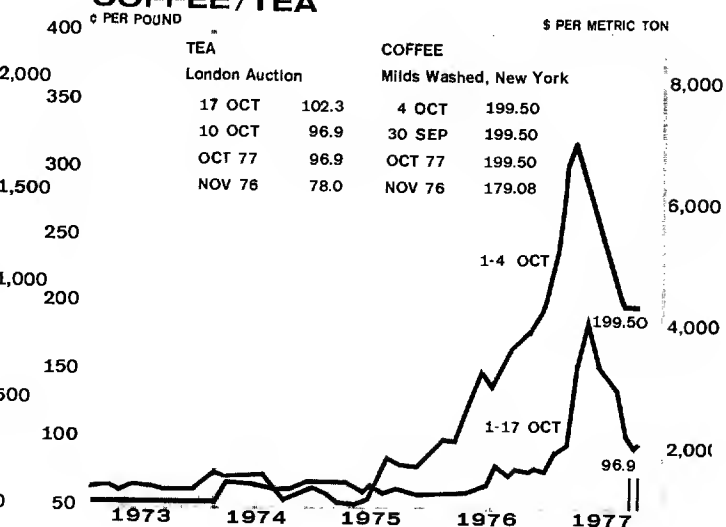
COTTON

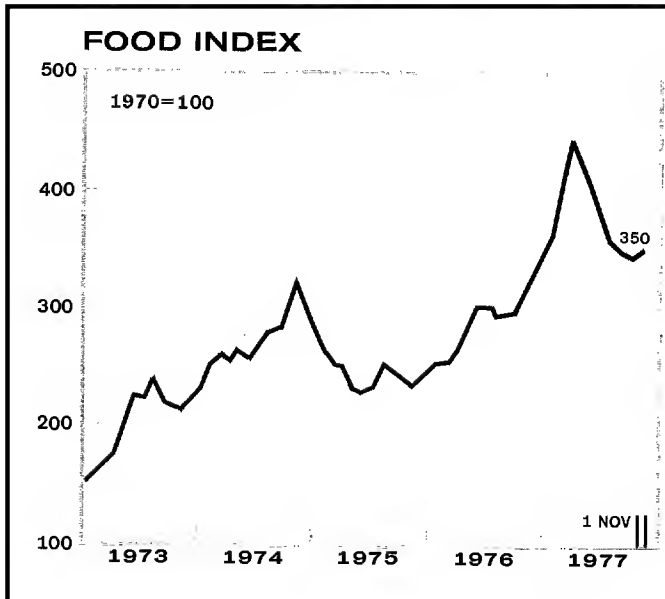
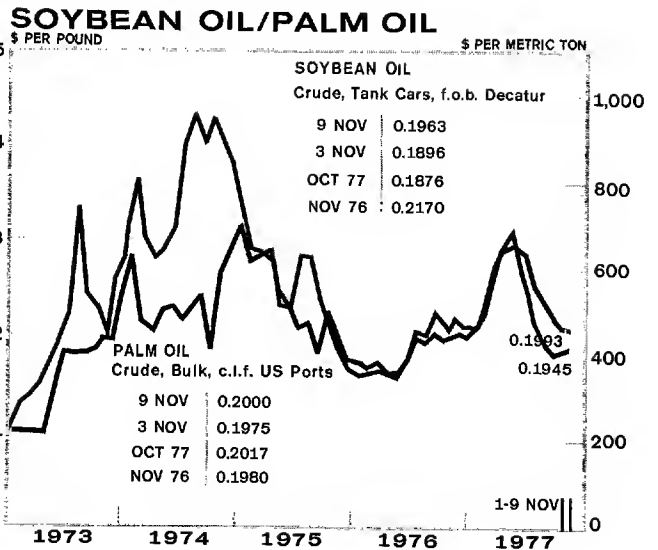
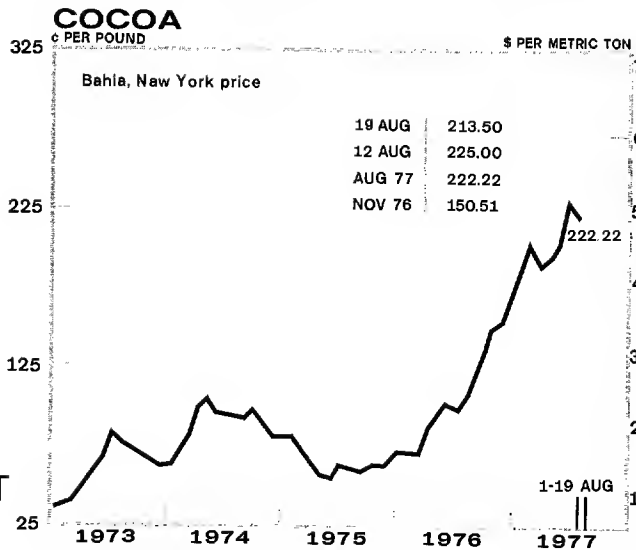
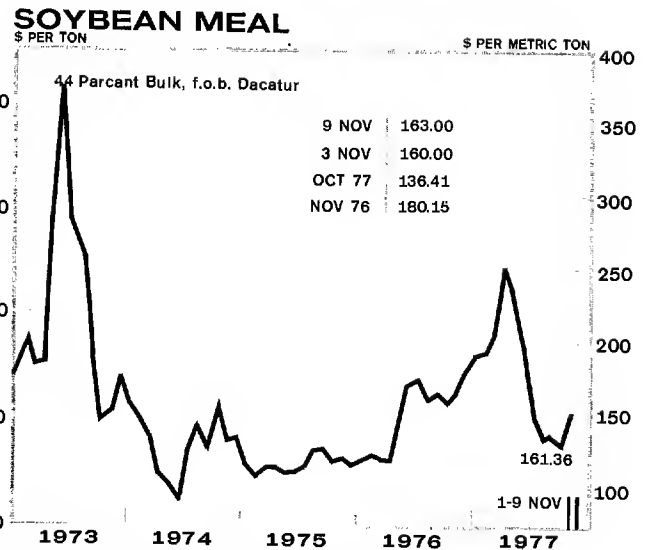
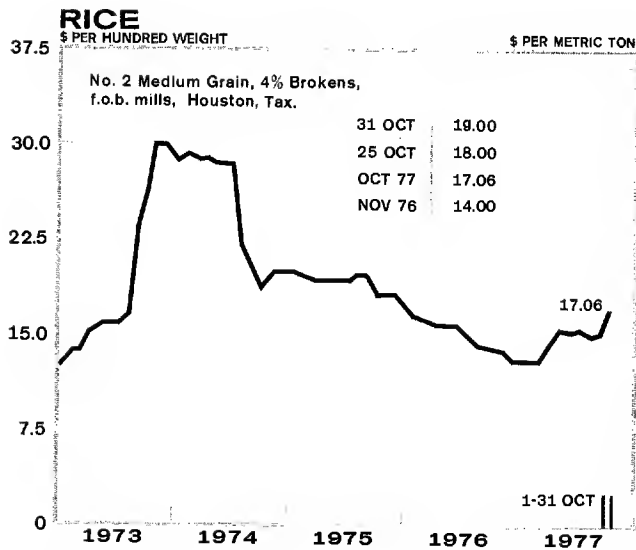
\$ PER POUND



COFFEE/TEA

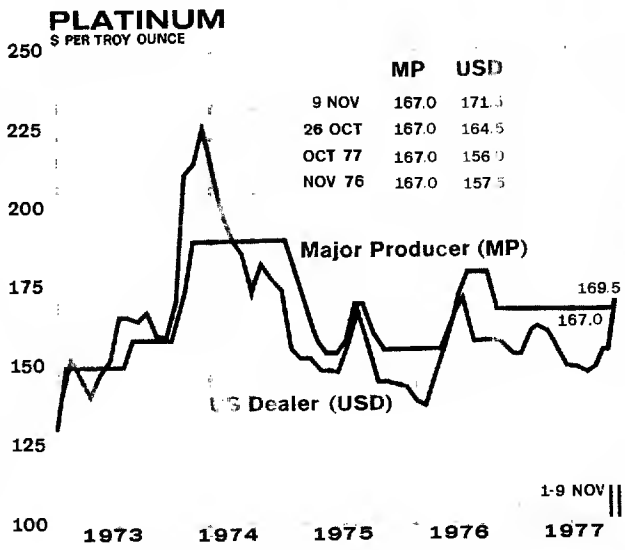
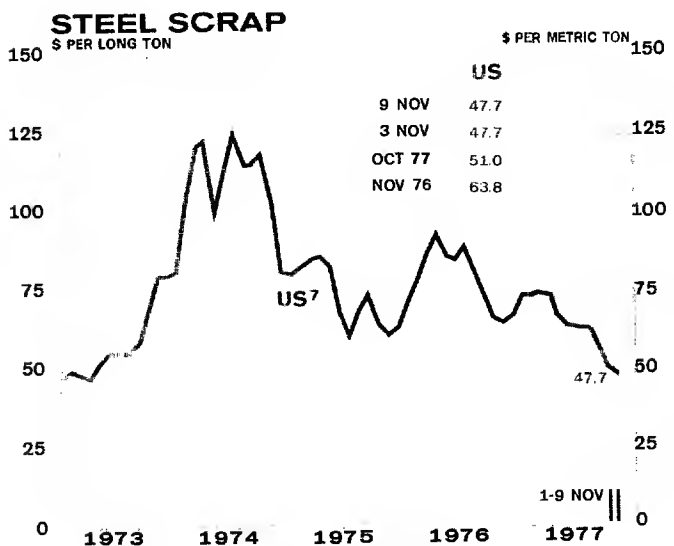
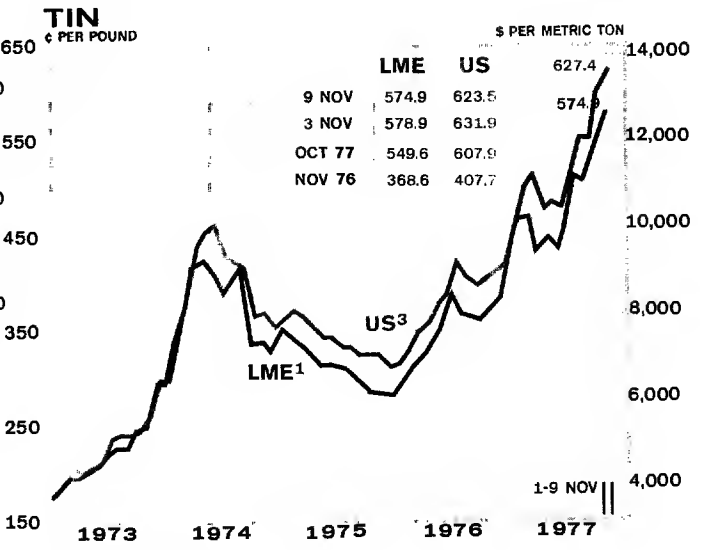
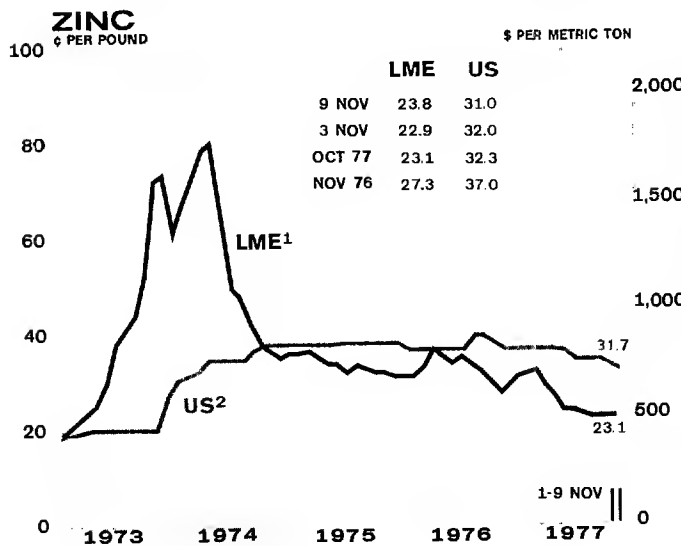
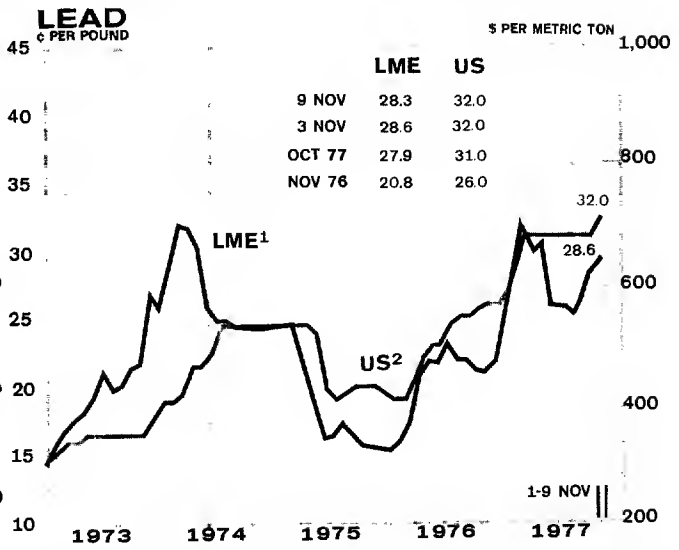
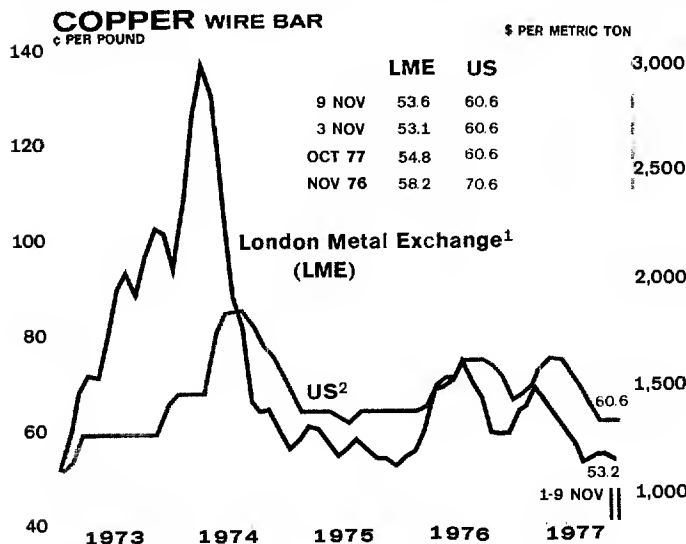
¢ PER POUND





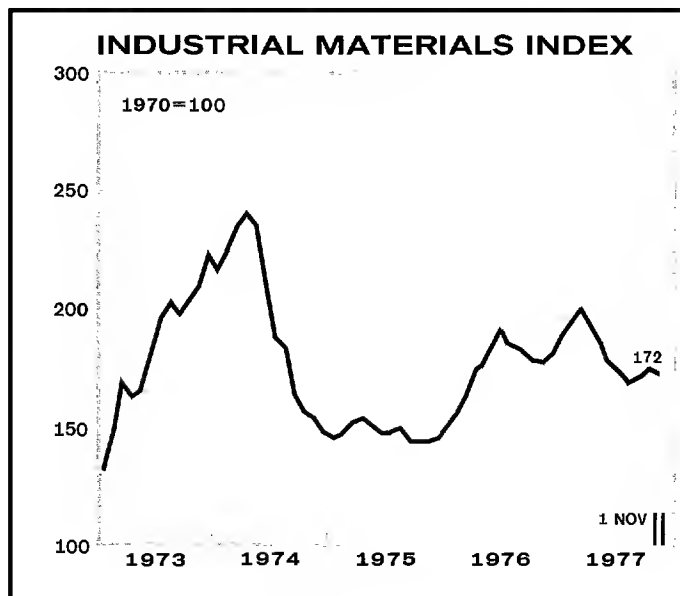
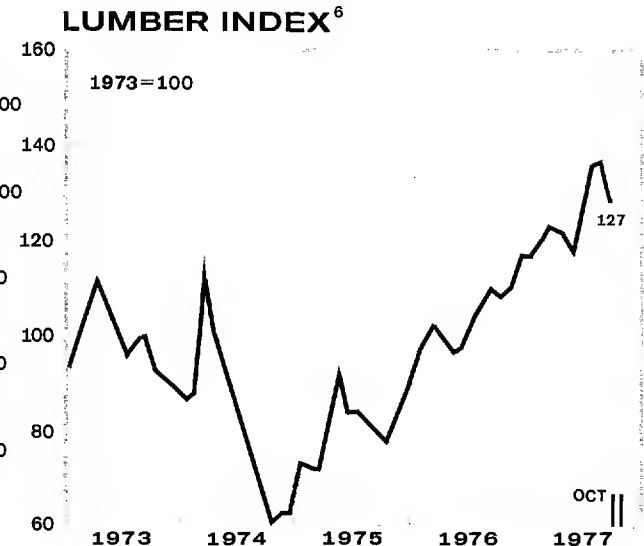
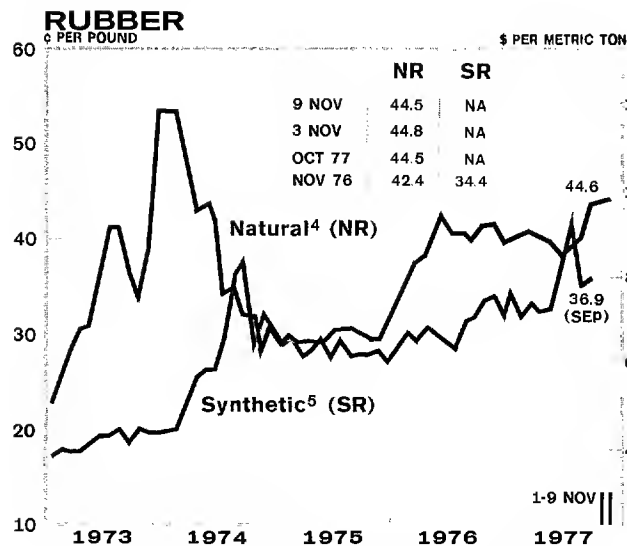
NOTE: The food index is compiled by the Economist for 16 food commodities which enter international trade. Commodities are weighted by 3-year moving averages of imports into industrialized countries.

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SELECTED MATERIALS

			CURRENT	MAY 77	NOV 76	NOV 75
ALUMINUM	Major US Producer	£ per pound	53.00	51.00	48.00	41.00
US STEEL	Composite	\$ per long ton	359.36	339.27	327.00	306.72
IRON ORE	Non-Bessemer Old Range	\$ per long ton	21.43	21.43	20.51	18.75
CHROME ORE	Russian, Metallurgical Grade	\$ per metric ton	150.00	150.00	150.00	150.00
CHROME ORE	S. Africa, Chemical Grade	\$ per long ton	58.50	58.50	42.00	44.50
FERROCHROME	US Producer, 66-70 Percent	£ per pound	41.00	43.00	43.00	53.50
NICKEL	Composite US Producer	\$ per pound	2.10	2.40	2.41	2.20
MANGANESE ORE	48 Percent Mn	\$ per long ton	72.24	72.00	72.00	67.20
TUNGSTEN ORE	65 Percent WO ₃	\$ per short ton	10,348.81	10,804.92	8,455.38	5,049.57
MERCURY	NY	\$ per 76 pound flask	140.00	141.90	134.50	125.26
SILVER	LME Cash	£ per troy ounce	485.11	469.85	436.90	431.93
GOLD	London Afternoon Fixing Price	\$ per troy ounce	163.13	146.60	130.44	142.42



¹Approximates world market price frequently used by major world producers and traders, although only small quantities of these metals are actually traded on the LME.

²Producers' price, covers most primary metals sold in the US.

³As of 1 Dec 75, US tin price quoted is "Tin NY 1b composite."

⁴Quoted on New York market.

⁵S-type styrene, US export price.

⁶This index is compiled by using the average of 13 types of lumber whose prices are regarded as "bell weathers" of US lumber construction costs.

⁷Composite price for Chicago, Philadelphia, and Pittsburgh.

NOTE: The Industrial materials index is compiled by the Economist for 19 raw materials which enter international trade. Commodities are weighted by 3-year moving averages of imports into industrialized countries.

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